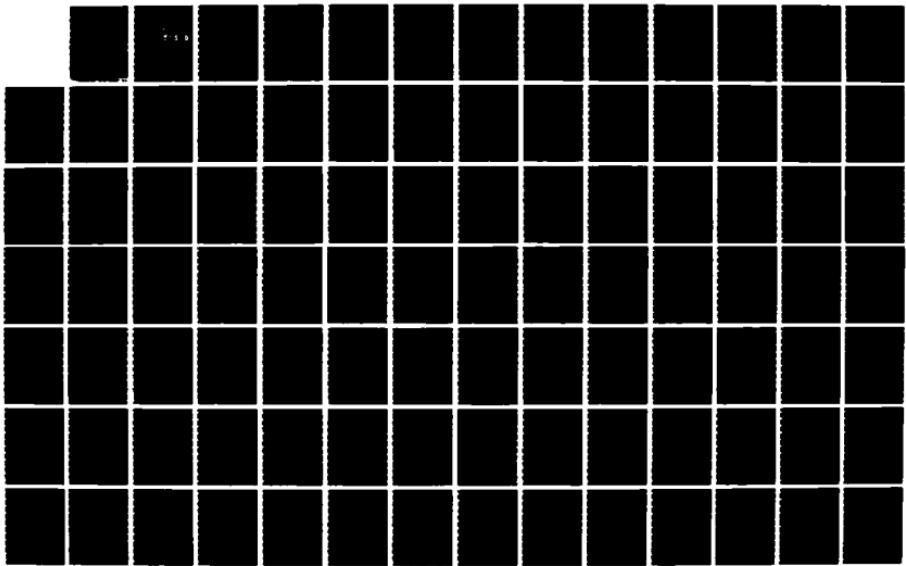


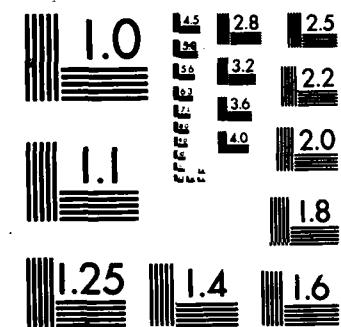
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# THESIS

PREPARATION OF THE PROGRAM OBJECTIVES  
MEMORANDUM: A SELECTIVE EXAMINATION OF  
PROCEDURES IN THE DEPARTMENT OF THE NAVY

by

Kristin Gretchen Hinds

June 1986

Thesis Co-Advisors: Jerry L. McCaffery  
LTCOL D. E. Melchar

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Preparation of the Program Objectives Memorandum:  
A Selective Examination of Procedures in the Department of the Navy

by

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Submitted in partial fulfillment of the  
requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

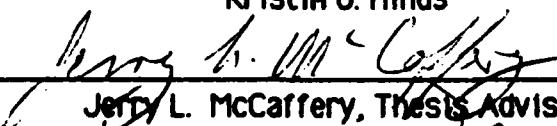
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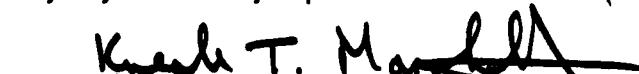
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## ABSTRACT

This thesis examines procedures the U.S. Navy employs in preparing the annual Program Objectives Memorandum. Beginning with an overview of the POM process in the Department of Defense, the thesis proceeds to a detailed exploration of POM activities in the Office of the Chief of Naval Operations. The narrative focuses on two of the major "roles"--Resource and Assessment Sponsors. These two "sponsors" are described as they functioned during the POM-87 cycle, in the context of their relationships with major review groups, claimancies, and other major POM participants. Events of the POM-87 cycle are recounted as they actually occurred in two offices, to demonstrate how POM development took place in the real world. Among the major findings is that the Navy POM is prepared according to a variety of procedures, with considerable latitude accorded to individual managers. The complexity of the POM development process has created a web of relationships that is not always clearly understood. A particularly valuable aspect of this work is the bibliography; this listing constitutes an extensive research source for the topic of PPBS in general as well as for Navy POM procedures.



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## I. INTRODUCTION

### A. A NOTE ON MY CHOICE OF TOPIC

The most important activity of any enterprise is, arguably, the manner in which its resources are obtained and allocated--the process of resource determination.<sup>1</sup> Lacking resources, the enterprise could not operate. In the world of government, the resource determination process has received considerable attention, particularly at the national level, and probably no agency has received a greater share of attention than the Department of Defense.

Despite the great interest, the resource determination process within the Department of Defense is not well understood by most of the individuals who are affected by it, internal or external to the department. It is not, for that matter, thoroughly understood by many of the individuals in the position of making defense resource decisions.

This lack of understanding is attributable to several possible causes. To begin with, the U.S. Department of Defense is unquestionably the most complex agency of the federal government. It commands the second largest share of federal funds--nearly 30 percent of the total federal budget (only

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<sup>1</sup>Various terms will be used in this thesis to refer to the overall process by which organizations make decisions regarding their resources--"resource allocation," "resource determination," "resource decision-making," etc. "Allocation" appears to be the generic term used most widely in academic literature; however, in the Department of the Navy, "allocation" has a particular meaning--the specific process by which the Comptroller of the Navy **allocates** funds to Navy organizations, which funds have been **apportioned** to the Department of Defense by the Office of Management and Budget, following their **appropriation** by the Congress. Except as may be specifically noted, this thesis will not use allocation in that narrow sense.

the Department of Health and Human Resources, whose budget includes the funds associated with the Social Security system, exceeds the DoD share).

Moreover, the Department of Defense itself is not only large, it is complex. This complexity--both functionally and organizationally--has led to a tremendous diversity of policies and procedures. This diversity has flourished both horizontally among the three military Departments and various Defense agencies that make up the Department of Defense and vertically within each Department and agency.

In short, the outsider expecting to find the Department of the Army making resource decisions in the same manner as its counterparts in the Air Force or Navy will be disillusioned. Looking at any one Department, he will most likely have no better luck at finding a universal procedure for resource determination throughout that Department.

However, unless he has considerable experience with the defense budget, these discoveries may take some time to emerge. This is due to another reason for the lack of understanding of defense resource decision-making: the scant availability of documentation regarding the actual processes.

Although much is written for publication about "defense spending," a large share of this writing is done by journalists and scholars who have no actual experience with the process. They must rely, therefore, on what written primary-source material is made available to them, secondary sources (such as the work of their predecessors), and what information they can extract by listening to defense resource decision-makers.

Another source of information about the defense resource decision-making process can be found in the published material of the professionally oriented periodicals (*Defense Week*, *Aviation Week*, *Armed Forces Journal*,

etc.) A similar source of information is published by the various interest groups who follow defense matters (The Heritage Foundation, the Brookings Institute, the numerous so-called "professional organizations" such as the Reserve Officers Association, the Army League, and so forth). However, in these cases, the writing is typically done from an advocacy viewpoint--in support and/or opposition to specific defense programs or policies. It is likely that most of the authors have only the most fundamental understanding of how the decisions are actually made within the Pentagon to request dollars and manpower for those particular programs or policies.

There is, on the other hand, no dearth of unpublished writing available on defense resource decision-making, in the form of internal memoranda, directives, manuals, briefings, etc., generated within the Department of Defense. However, these are obviously directed to an internal DoD audience and are not typically available to the outsider. In fact, they are often not released to all of the cognizant participants in the resource decision-making activity.

Moreover, much of what actually takes place may be far different than what has been described on paper. Not only do the directives fail to cover every relevant detail, often actual practice simply departs from what has been prescribed.

The obvious question arises: "So what?" Why should we care about the details. The bottom line is, after all, what the Congress decides; what comes out of the Department of Defense is simply a proposal.

The answer is as obvious as the question: since the Congress practices budget decision-making on the margin, concentrating specific attention only on selected programs each year, the annual proposal emerging from the

Pentagon is, in large part, what becomes the executed budget. This means simply that many--arguably, most--of the real resource determination decisions are made not under the dome of the Capitol, but some four miles west, across the Potomac, in the rings and corridors of the Pentagon. Since those dollars account for between one quarter to one third of the total federal outlays in any given year, the process by which decisions are made merits the attention of every person involved in that process.

## B. SCOPE

The ambition pursued by this thesis is, therefore, to expand understanding of the process of resource determination in the Department of Defense. In an attempt to fill, however partially, a longstanding gap in the area of information about the more detailed aspects of resource decision-making, the thesis will focus on a limited area.

It is appropriate at this point to define the scope--that is, what goals this work will attempt to meet, and (equally important!) those it will not.

### What It Is

This thesis will attempt to present a discussion and analysis of selected portions of the Defense resource decision-making process, specifically: within the Navy Department.

### What It Is Not

Given the necessity of limiting the research and analysis, as well as keeping the final product to a reasonable length, this thesis will not attempt to accomplish any of the following:

- Present a comprehensive picture of the Defense resource determination process *in tota*,

- Serve as "the representative" description of Defense resource determination;
- Present the detailed procedures followed by any suborganizations other than those specifically named herein;
- Provide a valid comparison of the procedures followed by one suborganization with respect to those followed by any other(s), except as specifically indicated.

The final disclaimer brings forth one overriding conclusion of the research upon which this thesis is based: there is to date no published treatment dealing with the comparisons of resource decision-making within the various subunits of the Department of Defense--either among the three military departments or among the numerous subunits of the Navy Department. Such analyses would be of tremendous benefit, were they available. Not only would they foster a greater understanding of the process(es) by which defense resource decisions are made, they would conceivably pave the way to a general benefitting from one another's mistakes/successes. That is, we in the Navy may be following a procedure that produces "inferior" results (the quotation marks are intended to indicate subjectivity) to those attained by the Air Force or the Army. Within the Navy, one primary decision-maker may have his staff performing to protocol that results in a much "better" (more effective, more efficient, and/or more politically defensible) end product than that coming out of the office of his colleague. Lacking a comprehensive, detailed study of the overall Defense resource decision-making process together with its many, many variations, we will never know.

If this thesis succeeds in illuminating even a small portion of the process as it has actually been experienced, then a small step will have been taken in that direction

### C. APPROACH

#### 1. Focus

In attempting to understand the overall process by which the Department of Defense makes resource decisions, I determined that the best method would go beyond an examination of written theory or procedures, to an illustration of an actual segment of the Department of Defense. My intent was to investigate how the procedures actually took place in a given annual cycle. As logical facets of the investigation, I hoped to identify such elements as the following:

- Major role-players;
- Their functions and how they actually performed them;
- The interrelationships among players;
- The significant factors affecting how players performed;
- The bases for prescribed performance--written guidance, informal direction, etc.;
- Deviations between prescribed performance and actual.

A logical product of this investigation would naturally be the identification of weaknesses in the process, problem areas that had hindered performance.

#### 2. Selected Area of Investigation

Beginning with a broadly based look at the Department of Defense, I studied the Planning-Programming-and-Budgeting process in macro, acquiring a familiarity with the PPBS resource determination process as it has evolved in the last three decades and as it is now practiced. Since, as an officer in the U.S. Naval Reserve, I can expect to spend the majority of my career within the Department of the Navy, I focussed my attention on that

particular subunit of the Department of Defense, limiting myself further to the Navy, excluding the Marine Corps. Extending that logic a bit further, I decided to concentrate on the programming phase of the Planning-Programming-and-Budgeting cycle, since my next tour will involve work in that field.

Following a review of the programming process within the Navy, I selected two organizations as the focal points of my most detailed investigation:

- The Office of the Deputy Chief of Naval Operations for Manpower, Personnel, and Training (OP-01), and
- The Office of the Director of Naval Reserve (OP-09R); the individual heading this office serves concurrently as the Commander, Naval Reserve Forces.

As will be clarified in subsequent chapters, these two organizations between them represent most of the major roles in the programming process. The fact that so many different programming functions are carried out in so few offices creates a web of relationships which itself contributes to the outcome of programming activities. Understanding programming as it was carried on in these offices illustrates not only the major roles and how they interact, but also the many overlaps and conflicts among those roles.

I purposely avoided choosing offices with a heavy involvement in major-systems acquisition. The acquisition process, although it may be considered as a subset (and/or accessory) of the Planning-Programming-and-Budgeting System, is of such magnitude and complexity as to deserve separate treatment. I chose to focus, instead, on programming in its more general terms.

To understand the programming process as practiced in the Navy, I chose a recent annual cycle and followed the activities that took place in my two primary offices. Since these two organizations do not operate in a vacuum, it was obviously necessary to research relevant activities that occurred in other organizations throughout the Navy. My "secondary focal points" included:

- The Office of the General Director, Navy Programming (OP-90)
- The various reviewing organizations that participate in the Navy programming cycle, principally, the Department of the Navy Program Strategy Board, the Program Review Committee, and the Program Development Review Committee.

I focused my investigation on the programming cycle involved in the budget for Fiscal Year 1987. This will be referred to throughout the remainder of this thesis as "POM-87".<sup>2</sup> I chose POM-87 because it is the most recently completed programming cycle as of this writing (development of POM-88 was still in progress).

### 3. Research Sources

My initial understanding of the PPBS process within the Department of Defense was obtained from personal experience (five years in OP-90 and OP-01, working primarily with programming-phase activities). I also researched a selection of published material, the bulk of which was generated during the late 1960's, the late 1970's, and early 1980's. These recurring floods of publication have been in response to major evolutionary points in the Defense resource determination process (the institution of PPBS, the attempt at Zero-based Budgeting, and the revisions made by the

---

<sup>2</sup>I will employ the accepted DoD jargon; POM is an acronym for Program Objectives Memorandum, the tangible product of the programming phase of the annual resource determination process.

Reagan Administration, respectively). As stated earlier, this genre typically deals with PPBS in overview and/or in theory.

I took particular interest in the few available studies of PPBS that deal with the actual practice of the system within the Department of Defense. To the extent possible, I obtained unpublished material from within the Department of Defense (directives, memoranda, presentations, etc.) There were occasional difficulties involving security classifications of some documents. I have followed my intent of keeping this thesis unclassified; in some instances, this has required "writing around" certain details. Despite the occasional security constraints, this last type of material--internally generated directives, memoranda, briefings, etc.--represents one of my two-most-used sources of documented information on the actual practice of PPBS.

Finally, I conducted interviews with several individuals who actually participated in the process during the year upon which I based my investigation, as well as many who are participating in the current cycle.

#### 4. Terminology: Jargon and Acronyms

Despite the parochial nature of its subject matter, this thesis is written for an audience assumed to be unfamiliar with the extensive "special language" that pervades the military community. To that end, I have strived to forego the use of jargon and acronyms wherever Standard English will conveniently convey the meaning intended. To minimize confusion, those special terms I have employed are defined in a brief glossary (Appendix A) at the end of the thesis.

#### D. ORGANIZATION: A ROAD MAP OF THE THESIS

The contents of the thesis will be arranged as follows:

##### Chapter II: Navy Programming In Overview

This chapter will describe the basic programming process as prescribed, identifying the major role-players, their functions, and their significance.

##### Chapter III: The Resource Sponsor Function: OP-01

In Chapter III, the process of assembling POM-87 will be traced as it actually occurred for one Resource Sponsor; the discussion will cover the factors influencing how OP-01 performed its functions and what problems arose.

##### Chapter IV: The Assessment/Appraisal Function: OP-09R

Similar to the preceding chapter, this discussion will trace the assessment function as it took place in one office, including how that office related to its "assessees" and to other organizations. The discussion will cover the outcome of POM-87 for that assessment area.

##### Chapter V: Analysis and Findings

This chapter will summarize the important findings emerging in the preceding discussions, emphasizing areas in which obvious weaknesses or problems adversely affected the performance of the various players. Potential weaknesses or shortcomings will be discussed, as well. An important part of

this chapter will be the personal observations of some of the major players who participated in POM-87.

Chapter VI: Conclusions and Areas for Further Research

## **II. PROGRAMMING IN THE NAVY DEPARTMENT: AN OVERVIEW OF THE PROCESS**

To understand the various programming activities in specific Navy offices and to appreciate their significance, one must first understand the overall process of programming as it is prescribed within the Department of the Navy, the Navy Department, and the Navy itself. One understands the workings of an engine by first looking at the engine rather than at the individual gears.

As an initial step in this regard, the distinction among the three organizations named in the preceding paragraph will clarify the hierarchy of organizational elements that shape the programming process.

The Department of the Navy refers to the major component of the Department of Defense; unique among its counterparts, Army and Air Force, the **Department of the Navy** encompasses not one but two military services: the Navy and the Marine Corps.

The organizations that are the focus of research for this thesis are within the **Navy Department**, which is the suborganization of the Department of the Navy including Washington-based headquarters activities of the two military services under the jurisdiction of the Department, the **Navy** and the **Marine Corps**. [Ref. 1: p. 1]

The principal organization in the Navy Department related to the U.S. Navy is, of course, the Office of the Chief of Naval Operations, usually referred to by his acronymed title, "CNO." As that title indicates, CNO is responsible for directing operations of the Navy. He is, additionally,

responsible for ensuring that the resources required by those operations are properly planned for, programmed, and budgeted. His Marine Corps counterpart, the Commandant, enjoys parallel responsibilities for that service. [Ref. 1: p. 2; Ref. 2: p. 00-3; Ref. 3: pp. 1-3]<sup>1</sup>

Both officers report to the Secretary of the Navy. Twice a year, the Department of the Navy submits resource allocation proposals to higher authority--namely, the Department of Defense. The actual submissions of resource allocation proposals are signed by the Secretary, not by the professional military officers.

The process by which the decisions embodied in those proposals are made is complicated and characterized by a collection of similarities and disparities. Although some of the process is formally dictated by guidance from both within the Department of the Navy and beyond, much of what happens is not controlled by any formal prescription from higher levels of authority. Moreover, much of what actually happens is not adequately documented, nor does reality always match what was formally prescribed.

Within the Navy itself, the process is far from uniform among the many subordinate organizations of the service. Although the Chief of Naval Operations nominally controls most of the major role-players who make resource decisions for his organization [Ref. 2: pp. viii-ix], those players do not fulfill their functions in a uniform manner. The final resource proposal product is something that the CNO can endorse and forward, but it in no way represents a simple, easily understood, or easily described process.

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<sup>1</sup>Throughout this thesis, the pronouns "he," "him," and "his" will be used in referring to specified officials; this is done to avoid the awkwardness of repeated "he/she," "him/her," "his/her" construction--certainly, no restriction of those billets to masculine status should be inferred!

## A. THE DOD CONTEXT

To understand resource decision-making within the Navy requires understanding of the overall process within the Department of Defense. There are, indeed, formally prescribed procedures for allocating resources; the question is, how extensive this guidance is, and how it is applied at lower levels within the DoD.

### 1. The Planning, Programming, and Budgeting System

A brief synopsis of DoD's overall resource determination system will put the programming phase into context. A logical initial step in this regard is defining the system currently in use: "PPBS."

A quarter century ago, the Department of Defense instituted a fairly radical change in the method by which it prepared its proposed budget for submission to the President and the Congress. As every management scholar knows, the name assigned to the revolution was "PPBS," for Planning, Programming, and Budgeting System, and the chief revolutionary was then-Secretary of Defense Robert McNamara. Numerous published references describe the general nature of PPBS, its purposes, and how it differed from previous methods of resource determination. However, most of these treat PPBS at a broad level, or in theoretical terms; although the new system originated in the Department of Defense, most of the published work does not address it from the standpoint of how the process actually functioned, at least not to any level of detail.

McNamara's performance with his newly installed system led the Johnson Administration to institute it throughout the Executive Branch of the Federal government. This was short-lived, however; in 1971, "PPBS" was dropped (in name, at least) from all agencies save for DoD.

Today, the non-DoD student of government would relate to PPBS as DoD's process of resource determination, with special attention to "budget formulation." In macro, that definition will serve.

A prevailing theme of this thesis is that the resource determination process within the Department of Defense is not fully understood, even by those who participate in that process (much less by outsiders). The various participants view PPBS from numerous perspectives and interpret its "real" purposes in numerous ways, depending, perhaps, on the role they themselves play and the level from which they perceive the system. One indication of this diversity of understanding can be found in variety of "official" definitions/descriptions in the several DoD directives; for example:

The PPBS is a cyclic process . . . [that] provides for decision-making on future programs and permits prior decisions to be examined and analyzed from the viewpoint of the current environment . . . , and for the time period being addressed. [Ref. 4: p. 3]

The DOD PPBS is the normal process within which the Secretary[ies of the Services] and the Secretary of Defense make decisions on force levels, weapons systems, and support programs. [Ref. 5: p. 1]

The ultimate objective of the PPBS shall be to provide the operational commanders-in-chief the best mix of forces, equipment, and support attainable within fiscal constraints. [Ref. 6: p. 1]

PPBS is the DOD resource management system. Controlled by the Secretary of Defense (SECDEF), its purpose is to identify mission needs, match them with resource requirements, and translate them into budget proposals. [Ref. 7: p. 2]

These quotes should prove not only that PPBS is not perceived or understood uniformly within the Department of Defense, but that no single definition of the system seems to prevail. The first sentence of the last example offers the best--certainly the most succinct--description of the system. For purposes of this thesis, PPBS is considered to encompass all the activities involved in preparing the annual budget proposal that the

Secretary of Defense submits to the President. That is, PPBS comprises the activities internal to DoD.

PPBS has evolved considerably in its 25 years of practice, with the revisions associated primarily with changes in Presidential Administrations. The varying political philosophies of the Administration in control, together with the personal management styles of the incumbent political appointees who run DoD, will obviously have a tremendous effect on how resources are allocated. [Ref. 8] Despite the several revisions, however, it is likely that Mr. McNamara would still recognize at least the essence of his creation.

The basic elements of that creation have remained intact. Specifically, these include three major features:

- A division of the budget formulation process into three phases:
  - Planning (to determine the objectives the organization hopes to attain; defense planning is based on an analysis of "the threat" from potential enemies);
  - Programming (the initial step in determining what combinations of resources will best attain the objectives identified during planning); and
  - Budgeting (translating the programming output in terms of specifically quantified fiscal and manpower resources).
- Determination of resource proposals in terms of objective-based program, rather than individual line items of expenditure; that is, emphasizing output rather than input.
- Consideration of programs in multiyear spans, versus solely on an annual basis.

The three PPBS phases comprise an annual cycle, the end product of which is the Department of Defense budget submission to the President. He, in turn, includes the DoD proposal in his total proposal for the Executive

Branch, submitted each January to the Congress for final deliberations and enactment.

Obviously, much deliberation occurs long before the Congressional players go to work. The competition for resources begins at the lowest levels of the DoD organization, and the deliberations and tradeoffs occur repeatedly throughout the budget preparation period, both within the Department of Defense and the Office of Management and Budget.

It should not be assumed from the descriptions of the three phases that PPBS is a linear activity, where each phase flows neatly and identifiably into the next. In practice, the demarcations between the phases are often arbitrarily established; "planning" terminates when some higher authority says it does, although the actual activities involved in planning may still be in process.

## 2. The Programming Phase

The emphasis of this thesis is on the middle phase of PPBS: programming. It is at this point that the abstractions of the planning phase begin to assume realistic characteristics. Mission and program objectives are assessed in terms of resource constraints; alternatives for attaining a given objective are developed, examined, and traded off; reality becomes closer. Of particular significance is the fact that the programming phase marks the introduction of fiscal and manpower constraints; planning typically occurs in an unconstrained atmosphere.

### a Programming: What Is It?

As with PPBS in general, official DOD documents offer a variety of descriptions and definitions of programming:

The DoD Components develop proposed programs consistent with the policy, strategy, force, resource, and fiscal guidance provided in the [Defense Guidance]. These programs, expressed in the [Programming Objectives Memoranda], reflect systematic analysis of missions and objectives to be achieved, alternative methods of accomplishing them, and the allocation of resources. In addition to the budget year, the program period is the 4 years beyond the budget year . . . . [Ref. 4: p. 4]

Programming, i.e., the structuring of resources by mission . . . . [Ref. 9: p. 2]

In the programming phase, the services and defense agencies propose programs that are designed to meet the mid-range (five year) objectives of the Defense Guidance and to fit within the fiscal constraints of the projected DoD budgets. [Ref. 10: p. 6]

Programming is the portion of the Planning, Programming, and Budgeting System (PPBS) which links planning to budgeting. The Department of the Navy Programming System is the normal process within which CNO, CMC, SECNAV, and SECDEF make decisions on modernization, force levels, readiness, and sustainability. [Ref. 11: p. 3-1]

The basic purpose of the programming phase is to translate Department of the Navy approved concepts and objectives into a definitive structure expressed in terms of time-phased resource requirements including personnel, monies and procedures that 'cost out' force objectives for financial and manpower resources five years into the future . . . . [Ref. 12: p. III-1]

The programming phase is the first point in the PPBS process where fiscal constraints must be factored with requirements. [Ref. 7: p. 16]

There are two milestone products associated with the programming phase: the Program Objectives Memorandum and the Program Decision Memorandum.

For each DoD Component (that is, Military Department or Defense Agency), the chief product of the programming phase is its individual Program Objectives Memorandum.<sup>2</sup> Each POM is further classified according to the fiscal year whose budget it supports ("POM-83," the first year of which is refined into the budget proposal for Fiscal Year 1983, and so forth).

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<sup>2</sup>Throughout DoD, the long title is almost universally shortened to its acronym, "POM." That acronym will be used throughout this thesis.

The POM constitutes a proposal of how the Military Department or Defense Agency would like to expend its resources in the budget year and the four years following. It is worth repeating that the POM is merely a proposal; it does not constitute a final decision--that authority is left to the elected officials in the Legislative Branch, who will authorize and appropriate for the actual programs and expenditures.

In fact, the individual POM's have several hurdles to pass before the proposals they embody reach Congressional desks in the form of the President's Budget. Midway through May of each year, the Military Departments and Defense Agencies submit their POM's to their parent department, DoD. Throughout the summer, the individual POM's are reviewed (by various staff offices within the Office of the Secretary of Defense, the Office of the Joint Chiefs of Staff, and the Office of Management and Budget; the other services are given the opportunity to review them, as well).

The central coordinating function for programming activities at the DoD headquarters level is carried out by the Office of the Secretary of Defense, the Secretary of Defense's headquarters staff organization. Following the review of the individual POM's, the Secretary of Defense, with the advice of his corporate board of directors, the Defense Resources Board, issues his approval of the consolidated DoD POM, including revisions to the individual Military Department and Defense Agency POM's submitted in May. The vehicle for conveying that approval is the second tangible product of the programming process, the Program Decision Memorandum, or "PDM."

The PDM marks the end of the programming phase. The fact that it is an official directive signed personally by the Secretary of Defense

emphasizes his importance as the chief resource decision-maker for his Department. His subordinates may or may not agree with his final decision; he, however, owns the authority to make that decision. [Ref. 4: p. 8]

b. Programming Phase Guidance

The review of the individual POM's implies their comparison to some pre-established standards or guidelines against which they were formulated. To be sure, the Office of the Secretary of Defense does issue some formal guidance as to how the Military Departments and Defense Agencies should conduct their programming activities.

However, it would be a distortion to assume that this guidance either provides for a uniform process for the suborganizations of DoD, or that it guarantees a uniformly prepared budget proposal--that is, one in which resource decisions were made on the same theoretical bases or via the same type of deliberative or analytical procedures.

Unquestionably, the Military Departments and Defense Agencies vary considerably in their programming procedures. Although the end products--the POM's--do conform to OSD guidance in terms of content (to the extent content is specified) and form, the routes taken by each DoD component are different indeed.

An important explanation for this is twofold: first, the OSD-level guidance is neither extensive nor is it detailed; secondly, that guidance deals more often in terms of what the final product should be, rather than how that product should be prepared.

A brief examination of the OSD guidance illustrates this point. Such guidance falls into one of two categories: standing directives or those issued annually to apply to the current PPBS cycle.

In the first category, OSD has issued three basic directives dealing with the PPBS in general. The first of these is DOD Instruction 7045.7, "Implementation of the Planning, Programming, and Budgeting System." Last updated on May 23, 1984, "DODI 7045.7" covers the process in macro, primarily in terms of output rather than procedures. That is, DODI 7045.7 very briefly describes the various activities that are scheduled to occur at the OSD level during each PPBS cycle, the major role-players and their responsibilities, and the major documents that are involved. Notably absent from this basic directive is any specific discussion of how each DoD Component is to implement PPBS within itself.

The second directive, DoD Instruction 7045.14, "The Planning, Programming, and Budgeting System," is merely a synopsized version of DODI 7045.7.

The third important standing directive issued at the DoD level is DoD Instruction 7045.8, "Procedures for Updating the Five Year Defense Program Data." The FYDP constitutes the official documentation of Department of Defense programs, thus, its periodic revisions mark the tangible results of the PPBS cycle.

Two other major programming guidance documents are issued by OSD annually: Defense Guidance (DG) and the POM Preparation Instructions (PPI). However, like the standing instructions, these two documents are couched in terms of what the final product shall be, rather than how each DoD Component--the Services and Defense Agencies--are to go about constructing that product.

The first document, Defense Guidance, constitutes the official statement of overall Department of Defense (and, by extension, current

Presidential Administration) policy for resource determination. It bears reiterating that Defense Guidance dictates the final product's content; it rarely specifies how individual service or defense agency POM's should be prepared. Defense Guidance is, moreover, written in very broad terms ("Threat Assessment," "Policy Guidance," "Strategy Guidance," "Force Planning Guidance," etc.) It is up to each Military Department and Defense Agency to interpret that broad guidance into specific programming proposals.<sup>3</sup>

Only rarely will Defense Guidance direct specific programming actions; when this happens, it is very selective, in the nature of telling one's building contractor, "I want a house that will withstand all weathers with a minimum of outside maintenance--you may wish to consider the strongest available building materials as a medium (possibly brick); I do, however, want a brass doorknocker, molded in the form of an anchor, about six inches long."

The single most straightforward portion of Defense Guidance is its fiscal guidance section, in which specific fiscal ceilings ("targets") are issued for each Military Department and Defense Agency. Following the basic premise of decentralized decision-making, however, the fiscal ceilings are not specified according to appropriation or function.

The second annual programming phase guidance issued by OSD is the POM Preparation Instructions. This is nothing more or less than a style guide for the written documentation that constitutes one part of "the POM." The POM Preparation Instructions include some specifics regarding the

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<sup>3</sup>Defense Guidance is classified SECRET; due to the unclassified nature of this thesis, specific details of its contents are not possible.

content (especially the types of statistical data). However, they typically include no policy guidance, save by implication, and never include specific programming direction.

### C. The Nature of the "POM"

It is useful at this point to explain what is actually included in the product called the "Program Objectives Memorandum." As stated earlier, the POM is the tangible result of the programming phase. Individual POM's are submitted by each Military Department and each Defense Agency to the OSD in May of each year. During the summer, the various POM's are evaluated by various staff offices within the DoD and the Office of Management and Budget and reviewed by the Defense Resources Board (the composition and function of this body will be discussed later). Following approval by the Defense Resources Board, the several individual POM's are consolidated into the DoD POM.

However, what exactly is it that the Military Departments and Defense Agencies submit? Or, if you saw a POM, what would it look like?

The actual POM, while tangible in one respect, is also somewhat abstract. It consists physically of two items:

- Several volumes of documentation (usually, this includes a summary of the submitting Department/Agency's overall changes to the status quo; detailed discussion of selected programs, such as research and development projects; and statistical data, such as types of manpower).
- A computer tape that contains a proposed change to the existing resource allocation, which would revise the resource amounts and distributions currently contained in the Five-Year Defense Plan resource matrix.

The POM is also an abstraction of sorts, representing the proposed changes to the status quo. At any moment, the Department of Defense has a blueprint for resource allocation that extends at least eight

years from the present moment, the so-called Five-Year Defense Plan. The FYDP<sup>4</sup>, despite its name, actually includes fiscal and manpower resource data for eight years--the year just completed, the current year, the year for which the Congress is deliberating the President's Budget proposal, and the following five years. For example, FYDP displays published in calendar year 1986 would include data for FY 1984 (amounts actually expended), FY 1986 (in current execution, reflecting amounts as enacted by Congress), FY 1987 (under Congressional review), and a 5-year block beginning with FY 1988 (the focus of POM-88). [Ref. 4: p. 6; Ref. 13: p. 19]

A good description of the FYDP would be as the official scorecard of Department of Defense resource decision-making. Updated three times each year (in response to the decisions made during programming and budgeting phases of PPBS), the FYDP constitutes a snapshot of how defense resources are being allocated and how DoD proposes to allocate them in the future.

Both the FYDP and the POM, incidentally, are considered to be internal working documents for the Department of Defense; due to their inclusion of future-year proposed resource applications, they are not intended for dissemination to outsiders, particularly in the Congress. A modified version of the FYDP, showing only resources up through the year of the budget currently submitted in the President's Budget, is provided to Congress. The POM is never officially provided to that body (although it is not unheard of for copies to make their way into Congressional offices).

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<sup>4</sup>Universally referred to by its phoneticized acronym; for most insiders, it comes out sounding something like "fiddup"; the Air Force says it, "fie-dip."

Programming--often referred to as "the POM process"--looks at the status quo in blocks of five years, with greatest emphasis on the first year (which will, in turn, be refined into the annual budget proposal submitted to OSD, the President, and the Congress). Why not just concentrate on the first year? The answer to this harks back to one of the basic tenets of PPBS as it was first instituted in the 1960's: to be realistic, budget decisions must include consideration not only of what is required immediately, but of what will be required over the expected life of a given program. The 5-year horizon is deemed to be long enough to give a good idea of the on-going costs of a program and short enough to be credible.

#### d. The Issue of Control

The obvious question arises as to why the guidance emanating from the DoD level is as broad as it is, giving so much latitude to DoD Components. After all, the defense budget is an expression, in concrete terms, of the political philosophies of the incumbent Presidential Administration. As such, one might expect considerable attention to ensuring uniformity of process as well as of product.

Partial answers to this question may be found in the standing guidance documents, the DoD Instructions described above (boldface added for emphasis):

The Secretary of Defense, assisted by the Defense Resources Board, exercises **centralized control** of executive policy direction by concentrating on major policy decisions, defining planning goals, and allocating resources to support these objectives. . . . The Heads of DoD Components shall **develop and execute the necessary programs** and provide the day-to-day management of the resources under their control and shall participate in meeting the objectives and requirements of national security as identified in the PPBS. [Ref. 6: p. 3]

The Secretary of Defense will provide **centralized policy direction** while placing **program execution authority** and responsibility with the DoD Components. [Ref. 4: p. 2]

The background for this management philosophy is explained in numerous documents from the early years of the Reagan Administration. Shortly after assuming control of DoD, the Reagan appointees conducted a quick (30-day) study of the PPBS as it was being practiced 20 years and five Presidential Administrations after its inception. The conclusions of that study reflect a basic philosophy of decentralized authority, with the bulk of decision-making devolved to levels below the highest officials. Then-Deputy Secretary of Defense Frank Carlucci articulated the premise in his official 1981 memo announcing his intention to revise PPBS:

We will achieve better Defense management by working toward a system of centralized control of executive policy direction and more decentralized policy execution. Working with the Service Secretaries, the Chairman of the Joint Chiefs of Staff, and OSD staff, the Secretary and I will concentrate on major policy decisions, definition of planning goals and the allocation of resources necessary to strengthen the horizontal integration of our four Services into a balanced Armed Forces Team. . . . Through this controlled decentralization, subordinate line executives will be held accountable for the execution of our approved programs and policy decisions. This will focus Service management efforts on improving the operational efficiency of each department. [Ref. 14: p. A-2]

The analogy to a specification provided to a contractor is apt. That is, OSD will provide guidance on what purposes are to be fulfilled and perhaps broad instructions on ways of attaining those goals. However, it is up to the individual Military Department/Defense Agency to work out the details. The implication is that if the final product appears to be in accordance with the specification, DoD will not be overly concerned about how that product was constructed. That implication oversimplifies the reality, however. Despite the professed philosophy of allowing subordinate

activities maximum latitude, the Secretary of Defense has definitely retained the right to scrutinize and overrule subordinate decisions as he may see fit. Mr. Carlucci's phrase, "controlled decentralization," sums it up best.

#### B. THE NAVY CONTEXT

Given the prevailing OSD philosophy of "controlled decentralization," the Secretary of the Navy has considerable latitude in formulating his Department's POM. Obviously, his final submission to OSD in May must comply with the generalized guidance in the Defense Guidance, as well as with any specific programming actions that document may have contained. The physical products--the POM documentation and the FYDP update--must comply with pertinent OSD directives (POM Preparation Instructions and DoD Instruction 7045.7-H, respectively). However, the procedures by which the Department of the Navy POM will be constructed are left almost entirely up to the discretion of the SECNAV.

Following in the pattern of his senior, the Secretary of Defense, the Secretary of the Navy has devolved much of the actual procedural development and decision-making to his two Service chiefs, the Chief of Naval Operations and the Commandant of the Marine Corps. Like his boss, however, he has retained final approval of program content. He even has his own analytical staff, the Office of Program Appraisal (OPA).

In recent years, the Reagan-appointed SECNAV, John Lehman, has taken an increasingly active role in POM formulation, entering into the process well before the final approval point and going into considerable detail. He

has, in short, instituted himself as an architect of the Department of the Navy POM, rather than merely an approval-granting senior

1. Guidance for the Programming Phase

a. Standing Guidance

Parallel to the situation at the OSD level, the Department of the Navy has certain standing directives covering PPBS in general and the programming/POM preparation phase in particular. The similarity extends to the nature of the directives; that is, they are primarily descriptive rather than prescriptive, with an emphasis on final products rather than on the methods by which those products are to be produced.

Two standing directives specifically deal with PPBS matters: Secretary of the Navy Instruction 5000.16D, "Policy, Roles, and Responsibilities with the Department of the Navy for Implementation of the DOD Planning, Programming, and Budgeting System"; and the Department of the Navy Programming Manual.

The former, SECNAVINST 5000.16D, has two stated purposes: first, to promulgate the relevant OSD-level directive on PPBS, DODI 7045.7; and, second, to define the roles and responsibilities of various Department of the Navy officials in PPBS matters.

Like its OSD counterpart, DODI 7045.7, SECNAVINST 5000.16D deals in broad terms. In fact, the emphasis is on descriptions of individual functional responsibilities, to the near-complete exclusion of procedure. The PPBS cycle is not discussed separately. Interestingly, the instruction was last updated in 1970; given the three changes in Presidential Administration since that point, together with the more frequent changes in

Secretary of the Navy incumbency, this could imply that SECNAVINST 5000.16D is not viewed as a particularly important directive.

Although the instruction is of comparatively ancient vintage, it is written so broadly as to still be applicable in large part. However, it no longer represents an accurate depiction of the major role players in the PPBS process. At least one organization has been added during the tenure of Secretary of the Navy Lehman: the Department of the Navy Program Strategy Board. This group has attained a position of considerable influence in resource deliberations.

The second major standing directive for PPBS matters within the Department of the Navy is the DON Programming Manual. This gives a far greater level of detail than SECNAVINST 5000.16D, going into more extensive coverage of the activities involved in the planning, programming, and budgeting phases (plus a full chapter on the Congressional budget process). However, although the coverage is more extensive than the SECNAV instruction, the Programming Manual is far from being a definitive procedural manual. Like the OSD directives, it deals in terms of end products rather than procedures for constructing those products.

The Programming Manual does identify the major Navy role-players, define their responsibilities and--to a degree--explain their relationships with one another. It also describes the various documents involved in the PPBS phases.

However, the DON Programming Manual suffers from a serious flaw: it was last revised in 1979 (the listed revisions since have concerned data-processing code changes; the text per se, and the descriptions of the POM/programming process have not been amended). This obsolescence

renders the Programming Manual all but useless when taken by itself. Some of the descriptions are still accurate; many others have long been outdated (some documents described no longer exist at all; others have been changed in name and/or content). Like SECNAVINST 5000.16D, it includes no mention of the Department of the Navy Program Strategy Board.

The Manual's description of the POM process itself applies to the situation during the Carter Administration, when the Department of Defense was experimenting with so-called Zero-Base Budgeting; almost the first thing the Reagan appointees did upon taking office in 1981 was to terminate this particular process of budget formulation. For the historian interested in a generalized description of how ZBB was to be implemented in the Department of the Navy in the late 1970's, the currently available DON Programming Manual will be quite interesting. For the current practitioner of PPBS as of the mid-1980's, the Manual has limited value.

Unfortunately, it is frequently referred to in both formal and informal situations as the basic governing procedural guidance for programming. At best, this is misleading for the uninitiated!

Why an updated edition of the Programming Manual has not been issued is a matter of some mystery.

Responsibility for maintaining the Manual is assigned to the Director, Department of the Navy Programming Information Center (DONPIC); this is, incidentally, the same individual who is responsible for coordinating the annual Department of the Navy POM submission, comprising both Navy and Marine Corps proposals. The Navy POM is prepared under the direction of the Chief of Naval Operations; the individual specifically responsible for coordinating the Navy POM is the same officer holding the title of Director.

DONPIC. In short, he and his staff are extremely busy and possibly have simply not had the time to spend on the revision of standing directives.<sup>5</sup>

More likely, the revision of the Programming Manual is not viewed as crucial by anyone who matters. In that light, the Programming Manual takes on the implication of SECNAVINST 5000.16D--a not particularly important piece of paper.

Since this thesis deals primarily with the POM process within the Navy, rather than within the Department of the Navy, the balance of this discussion will focus on the Navy's procedures, guidance, etc.; it should not be assumed that these apply to the Marine Corps, unless specifically identified as emanating from the DON level.

b. Annual Guidance: The POM Serials

In the absence of meaningful, currently applicable guidance from the Department of the Navy standing directives, programming guidance is issued on a recurring basis, in the form of memoranda prepared in the office having chief responsibility for coordinating POM-related activities, the Director, Navy Program Planning (OP-090).

The detailed responsibility for coordinating the Navy's POM formulation is delegated to one of OP-090's three direct subordinates, the Director, General Planning and Programming Division (OP-90). OP-90 is the individual discussed earlier, who has the concurrent title of Director, Department of the Navy Program Information Center. This duality of titles

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<sup>5</sup>The chapter on the Programming Phase was rewritten shortly after the Reagan Administration took office, to reflect the several modifications to the process that were instituted as part of the so-called "Carlucci Initiatives" of 1981. That revision has never been published; it would, by now, be outdated.

involves a duality of reporting relationships; in his OP-90 role, he is concerned with the Navy POM and reports (via OP-090) to the individual ultimately responsible for that POM, the Chief of Naval Operations. In his Director of DONPIC role, however, he works for the Secretary of the Navy.

This duality allows him to issue direction applicable at either the Navy level or the Department of the Navy level (that is, when the direction is to apply to both Marine Corps and Navy matters).

Throughout the course of each annual POM cycle, OP-90 issues a series of memoranda dealing with a variety of relevant topics. These memos--referred to as "POM Serials"--constitute the most widely accepted and universally applied guidance. Most POM Serials deal with the Navy POM (the Marine Corps issues its own comparable directives); occasionally, OP-90 will switch to his Department of the Navy role, when the issue at hand involves both Marine and Navy. Typically, OP-90 (a rear admiral) personally signs the POM Serials. In some cases, however, the issues under discussion are of such importance that OP-090 (a vice admiral) or even the CNO himself will sign the Serial.

The POM Serials provide the primary medium of communication among POM participants throughout the POM preparation and review cycle. They cover subjects both broad and specific; approximately 35 to 40 are written each year.

The first POM Serial marks the official kickoff of POM activities. Published in late August/early September each year, the first serial is referred to by its number, which identifies it by the POM year to which it applies and its number within that year's series. For example, POM

87-1--most commonly called "87-dash-1"--published in September 1984, refers to the first POM Serial of the POM-87 cycle.

The first annual serial has an additional significance: it presents the overall guidance for POM activities, including basic definitions of activities, documents, participants, and other basic information regarding the POM process. In this regard, the first serial constitutes the real programming manual for the Navy. Updated each year (and more often, as may be required), "87-1" fills the gap left by the outdated DON Programming Manual and SECNAVINST 5000.16D. This makes considerable sense, because the POM process within the Navy is not static; procedures, management styles, and policies may change from year to year, depending on any number of factors--the personal philosophy of the incumbent SECNAV, the mood in Congress, the incumbent President, etc.

POM Serials are issued on a flexible basis throughout the POM development and review cycle--in short, whenever OP-90/DONPIC (or any of his bosses) needs to communicate with POM participants. Typically, each serial after the first deals with a fairly narrow topic area (for example: "CNO Program Analysis Memoranda, Baseline Area Appraisals and Warfare Appraisals"; "Procedural Guidance for POM-87 Baseline Assessments"; "Sponsor Guidance for Department of the Navy Extended Planning Annex"; "Requirements for Data Entry").

The purpose of a POM Serial can be either informative or prescriptive. Two of the most important POM Serials issue programming guidance to POM resource decision-makers: the Department of the Navy Consolidated Programming Guidance (DNCPG) and the CNO Programming and

Fiscal Guidance (CPFu) [Ref. 15, p. 4]. These will be discussed in greater detail later in this narrative.

## 2. A Basic Characteristic of Navy PPBS: A Dual System

To understand the Navy POM process requires first an appreciation of the dual system of resource decision-making that characterizes Navy PPBS. Navy resource management distinguishes between programming and budgeting activities. Each phase has a distinct set of relationships, with different offices assigned lead responsibility and different participants taking dominance in resource decision-making.

During the programming phase, the most significant players are Resource Sponsors, working under the coordination and direction of the Director, General Planning and Programming Division (OP-90). During the budgeting phase, the power shifts to the claimants, working under the coordination and direction of the Director, Fiscal Management Division (OP-92). The Resource Sponsors and OP-90 take a back seat during the budgeting phase, as do the claimants and OP-92 during programming.

In effect, the Navy operates two related but distinct resource decision-making systems. Among the symptoms of this duality: two levels of detail (more general for the programming, more detailed for budgeting); two effective data bases; two distinct processes for determining and reviewing resource decisions, involving two sets of players. Among the consequences: not infrequent confusion as to the "real" decisions made during either phase; occasional conflicting decisions; lack of meaningful communication between the two sets of players. The last carries the most potential for danger.

As the organization chart in Figure 2-1 suggests, possible instances in the nature of "right hand not knowing what the left hand is doing" should be reconciled at the OP-090 level, since he is the reporting senior for both the OP-90 and OP-92 organizations. On major issues, or matters of high visibility, this would be true. However, it will always be true that much "real" decision-making effectively occurs at lower levels of the organizations participating in each phase; the grassroots players in POM do not fully understand the functions and responsibilities of their budget-phase counterparts (and vice versa). In fact, many of the rank-and-file participants have only a scant appreciation for "their own" phase, with frequent confusion over how their own roles fit into the overall scheme, much less into the overall context of PPBS in general. Nonetheless, many of the decisions made by such people are approved without intense scrutiny by higher levels.

While it is true in theory that "the boss" should be capable of identifying and reconciling such conflicts or discrepancies, it is equally true in practice that "the boss" will almost inevitably lack the time and resources to review sets of proposals in great detail. This is particularly true when discussing a total resource amount in excess of \$100 billion (the Navy's approximate share of total Defense dollars).

The problems associated with the Navy's dual system of resource determination pervade the POM process and are at the root of many of the weaknesses in POM formulation discovered during the course of this research. The difficulty will be discussed frequently throughout this thesis.

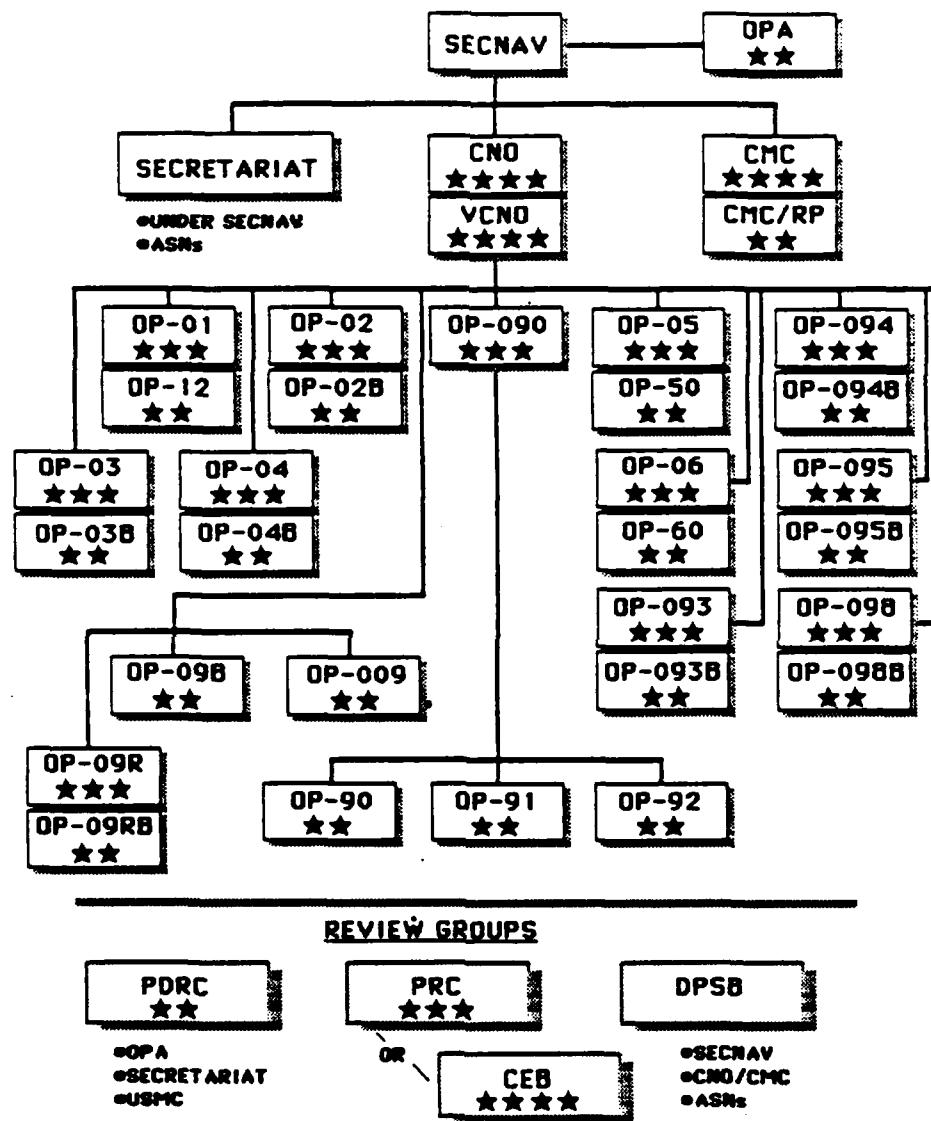


Figure 2-1. Major POM Players  
in the Department of the Navy

### 3. Major POM Participants

The foregoing discussion highlights one important problem area involving relationships among POM participants. The large number of significant players and their varying responsibilities have created a complicated web of interrelationships. The result is a system that is sometimes not only difficult to understand but that contributes directly to other potential weaknesses in the system.

Since the focus of this thesis is the POM-87 cycle, the definitions of major participants, their roles and responsibilities, are drawn chiefly from POM Serial 87-1, augmented by analytical comments from other sources as noted.

Figure 2-1 offers an overview of the major players within the Department of the Navy. The first section of this chapter discussed the significance of three of them--the Secretary of the Navy, the Chief of Naval Operations, and the Commandant of the Marine Corps. To recap their importance here: the Secretary of the Navy bears full responsibility for the Program Objectives Memorandum for the Department of the Navy. He has devolved extensive authority for POM development to his two service chiefs, CNO and CMC, while retaining significant control over their POM development processes. The discussions of other major players will add meaning to the roles of these three top resource decision-makers.

The stars in each cell indicate the military grade of the individual heading that organizational component. With the exception of the Secretary of the Navy and his Secretariat (the Under Secretary of the Navy and Assistant Secretaries), the major players are flag officers, almost all in the Office of the Chief of Naval Operations. The two-starred cells

immediately below the three-starred subdivisions represent the individual within that subdivision with lead responsibility for PPBS matters.

a. Resource Sponsor

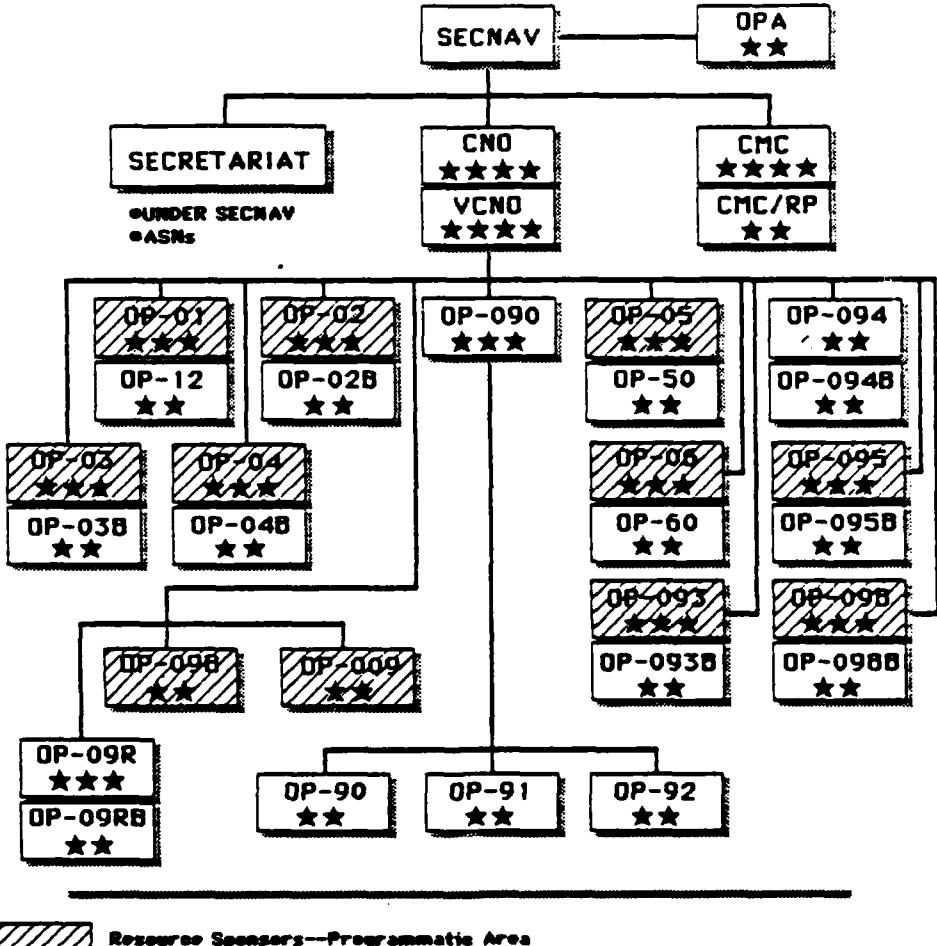
As intimated earlier, the Resource Sponsor is in the dominant authority chain during the POM cycle. According to official definition in POM Serial 87-1, the Resource Sponsor is responsible for "an identifiable aggregation of resources that constitute inputs to task accomplishment." [Ref. 15: Encl. 2, p. 1] In practical terms, this means that he constitutes the basic "responsibility center" for resource decision-making during POM development. Following formulation of his own program proposal, he is charged with defending it during the several reviews to which it will be subjected during the programming phase, both within the Navy and beyond. As one veteran of POM preparation<sup>6</sup> described them, the Resource Sponsors "actually 'own' the resources that are the U.S. Navy."

OP-02 (submarine warfare), for example, owns all of the resources--the construction of the submarines, the operating of the submarines, the overhauling of the submarines, the manning of the submarines--everything associated with submarine warfare. He is responsible, not just for modernizing the submarine force, not just for building a submarine force or for operating it, but for the full spectrum. He is responsible for what is going on in the submarine force today--the submarines that are actually in the water--for the programming [for the first year of the POM], and for the long-range submarine warfare plan out through the year 2000. [Ref. 16: p. 143]

The Resource Sponsorships are organized to coincide closely with the organization of the Office of the Chief of Naval Operations, as can be seen in Figure 2-2. The three-starred vice admirals with two-digit codes (OP-01, OP-02, etc.) are the CNO's Deputy Chiefs of Naval Operations , or "DCNO's."

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<sup>6</sup>Captain Ray Walsh, USN; Captain Walsh served on the staff of OP-90 for three POM cycles during the early 1980's, as the primary action officer for coordinating POM development.



**Platform Sponsors**

OP-02—Submarine Warfare  
OP-03—Surface Warfare  
OP-05—Air Warfare

**Support Sponsors**

OP-01—Manpower, Personnel, & Training  
OP-04—Logistics  
OP-06—Military Assistance  
OP-07—Medical  
OP-094—Command & Control  
OP-093—Electronic Warfare/Undersea Surveillance  
OP-098—Administration/DOD Support  
OP-099—Intelligence  
OP-098—RDT&E/Acquisition  
OP-096—Oceanography

Figure 2-2. DCNOs/DMSOs with Resource Sponsorships

The three-starred vice admirals with codes beginning "OP-09" are Directors of Major Staff Offices, or "DMSO's". Every DCNO is also assigned responsibilities as a Resource Sponsor. Eight of the eleven DMSO's had Resource Sponsor responsibility in POM-87.

Figure 2-2 lists the 13 Resource Sponsors and their general areas of responsibility (note that one Sponsor, OP-095, has been assigned two programmatic areas).

The Resource Sponsorships can be further categorized as "Platform" or "Support." OPs-02, -03, and -05 are Platform Sponsors, with responsibility for the major warfighting tasks; the rest are Support. [Ref. 17].

Because of the duality of the Navy's resource management system, the uninitiated observer of Navy resource determination may well be confused as to who actually has decision-making authority. Like the story of the blind men with the elephant, his perception will be shaped according to whom he speaks first--Resource Sponsor or major claimant. It will also depend on what point in the PPBS cycle is under consideration.

Resource Sponsors have the lead in formulating programmatic resource proposals, at a fairly generalized level of detail. Claimants are responsible for executing the proposals made by Resource Sponsors, with a large part of that job involving the more specific pricing out of those proposals.

The significance of this is that during the programming phase, primary decision-making authority rests with the Resource Sponsor. The claimant (who is going to have to translate into reality what the Resource Sponsor has formulated) takes a back seat during POM development; he may suggest and recommend resource realignments, but he has no effective

power to enforce his desires during programming. The Resource Sponsor is not obligated to acquiesce--or even to listen, save under prescribed circumstances discussed later in this chapter.

The lines of jurisdiction between claimants and Resource Sponsors are not necessarily easy to understand; That is, one Resource Sponsor will "own" resources of several of the 26 major claimancies. Conversely, an individual claimant will be responsible for the resources assigned to multiple Resource Sponsors. This relationship is illustrated conceptually in Figure 2-3.

An actual example of the multiplicity of relationships: the Resource Sponsor OP-03, who is the Deputy Chief of Naval Operations for Surface Warfare, "owns" naval bases in both the Commander in Chief, Naval Forces Atlantic (CINCLANTFLT) and Commander in Chief, Naval Forces Pacific (CINCPACFLT) claimancies; OP-05, the DCNO for Air Warfare owns the air facilities in those claimancies. Thus, the CINCLANTFLT and CINCPACFLT claimants must court both Resource Sponsors (as well as many others!) for resources during each POM development cycle. Since each Resource Sponsor has chunks of several claimancies, each claimant must compete with every other claimant in that Resource Sponsorship. The claimant will find himself embroiled in as many competitions as he has Resource Sponsors. The lesson should be obvious: the astute claimant will maintain the best possible communication with every one of his Resource Sponsors. In practice, the lesson is not always applied.

Looking at the jurisdictions of each Resource Sponsor listed in Figure 2-2 might lead to the conclusion that resource assignment is not

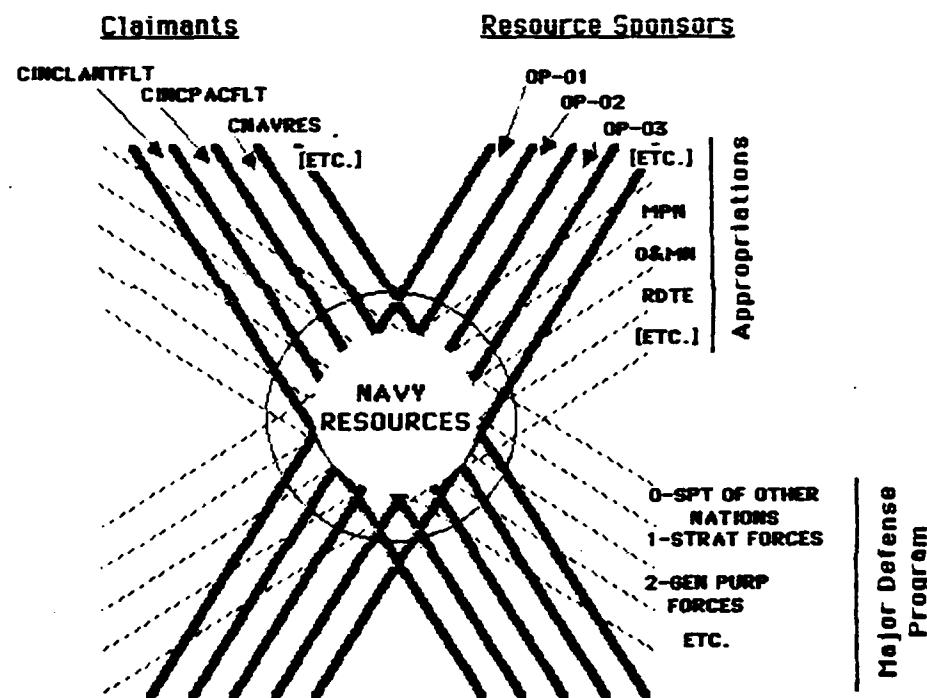


Figure 2-3. Claimant versus Resource Sponsor

only clear but logical. In fact, resource assignments are not always straightforward, nor are they made on a consistent basis.

In general, the labels give a good idea of each Resource Sponsor's area of responsibility. Numerous exceptions and inconsistencies characterize resource jurisdictions.

An example will illustrate this last point: the titles indicate that OP-03 is responsible for "Surface Warfare," and that OP-01 is responsible for Manpower, Personnel, and Training. As was stated earlier, a Resource Sponsor--particularly a Platform Sponsor--theoretically has the responsibility for the entire spectrum of activities, and hence resources, associated with his area. "Training" is obviously a necessary ingredient to surface warfare. However, OP-01's designated jurisdiction includes "training." The quick conclusion is that he has the responsibility for training the sailors who will eventually man OP-03's ships and operate his naval bases.

This is not the case. All the Platform Sponsors (and many of the Support Sponsors) have assumed some of the responsibility for training within their assigned areas. OP-01's primary training responsibilities involve basic training, rather than mission-specific. That is, OP-01 "owns" Recruit Training for enlisted personnel, Officer Candidate School for non-aviation officer candidates, the U.S. Naval Academy, and the Reserve Officer Training Corps. The quick reader will note the qualification attached to Officer Candidate School. The Navy operates a separate training facility for aviation officer candidates; that facility is under the Resource Sponsorship of OP-05.

The foregoing constitutes a fairly straightforward exception. Most inconsistencies are not. Housing is an excellent example of the confusion. On the premise that "he who owns the facility is responsible for running it in all respects," the Platform Sponsors own most of the normal components that make up their naval bases and air stations--the buildings, the hangars, the docks, etc. Such a normal component of most naval installations is government housing. The Platform Sponsors do have responsibility for unaccompanied personnel housing--the Bachelor Officer Quarters and Bachelor Enlisted Quarters. Government-owned family housing, on the other hand, resides *in toto* within the Resource Sponsorship of OP-01.

One obvious effect of such inconsistencies is the complication of relationships among Resource Sponsors. Should, for example, OP-03 have a need for bachelor housing at one of "his" bases, he has the freedom, jurisdictionally, to fund it. Should the need be for family housing, however, he must petition OP-01 to include it in the OP-01 program proposal. He will find himself in competition with hundreds of other requests for OP-01's constrained resources.

This brings up the issue of how Resource Sponsors manage the resource determination process during POM development. Specifically, what procedures do they follow in adjusting the existing resource profiles. From whom do they receive guidance and/or requests for realignment? Which petitioners must they favor? What method do they use in making their decisions?

The answer is deceptively easy: each Resource Sponsor has considerable latitude in how he formulates his portion of the Navy POM. Following the philosophy at the OSD and DON levels, the CNO has imposed

relatively few procedural requirements on his Resource Sponsors. Like most guidance from higher levels of authority, CNO's edicts deal more with products rather than procedures.

It is also true that his directives typically provide the most specific guidance, including occasional detailed programming actions. Of enormous significance is his specification of resource constraints for each Resource Sponsor. As mentioned previously, Defense Guidance includes fiscal controls for each Military Department and Defense Agency. SECNAV makes the initial division between the Navy and the Marine Corps. The CNO takes the process one step further, dividing the Navy's total dollar and manpower allocations among his Resource Sponsors.

He also directs some specific programming actions. However, the general nature of most CNO directives is specification of a particular end result. Rarely does he specify what the Resource Sponsor must forego or how he must realign his resource base to accommodate the directive. Even more rarely will the CNO dictate specific analytical procedures or methods of evaluation Resource Sponsors should use in making their resource decisions.

Taking into account such guidance from the CNO (and other higher authorities), plus the inputs he receives from other groups with an interest in how he allocates the resources assigned to him, the Resource Sponsor formulates his own mini-POM proposal--officially termed Sponsor Program Proposal. This has been shortened to the acronym, SPP, in common Pentagon usage. Together, the 14 SPP's, as revised during internal Navy and Department of Navy reviews, make up the Navy POM that is submitted to OSD each May.

The following chapter will detail formulation of one Resource Sponsor's portion of the POM. That discussion will illustrate the variety of methods a Resource Sponsor may employ in POM development--including such issues as from whom he must receive resource adjustment directives and/or requests, how he "validates" his proposal to higher authorities, etc.

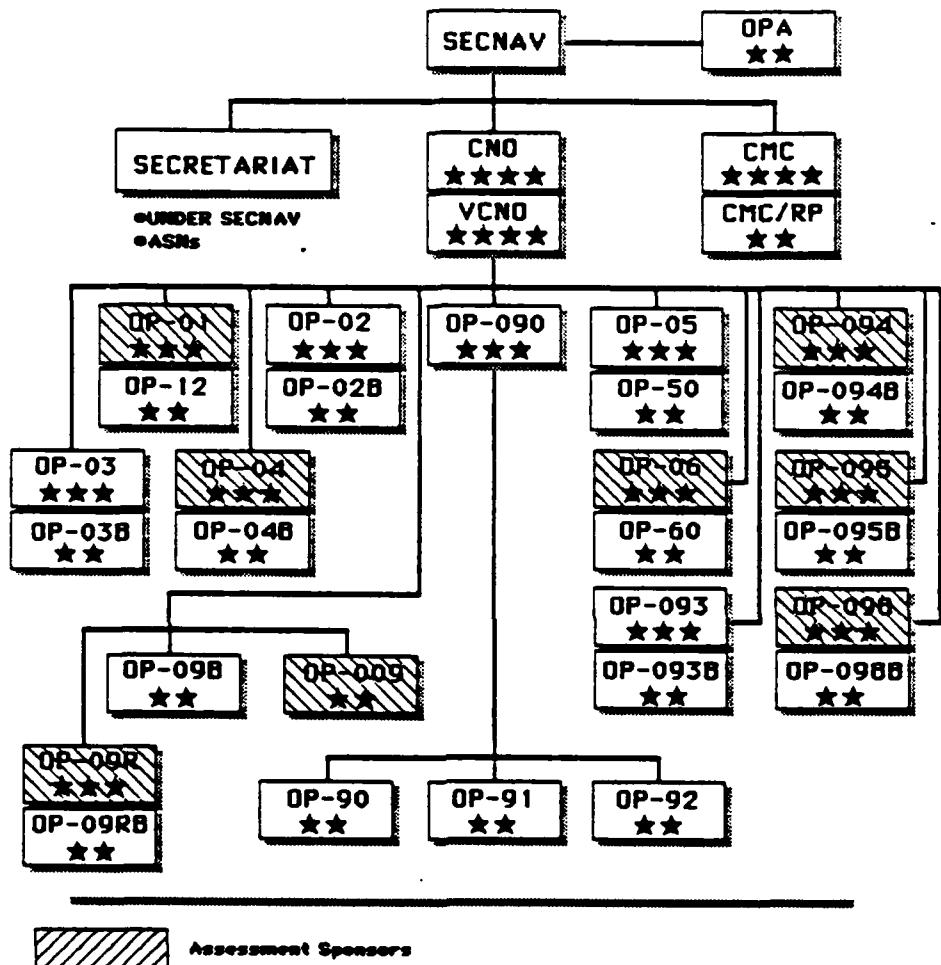
It is sufficient at this point to state that a Resource Sponsor has relationships with a variety of players, most within the Navy Department, but many--the major claimants--in the "real" Navy. The following sections of this chapter will describe the most significant of those relationships.

b. Assessment Sponsors

One of the important relationships a Resource Sponsor has during POM development is with the Assessment Sponsors. These individuals might best be described as watchdogs, charged with monitoring broadly defined functional or task areas. Figure 2-4 indicates the eight Assessment Sponsors who played during the POM-87 cycle, along with their assigned areas.

The purpose of the assessment function has its roots in the basic naval doctrine enunciated in Naval Warfare Plan No. 1, which states that the Navy has "two principal and distinct responsibilities: (1) to maintain current fleet readiness, and (2) to ensure future force capabilities. According to POM Serial 87-1, "these responsibilities are the focus of the assessment function." [Ref. 15: Encl. (2), p. 3]

Assessment areas cut across Resource Sponsor jurisdictions. For example, almost every Resource Sponsor owns manpower; most have at least some involvement in logistics.



- OP-01--Manpower, Personnel, & Training
- OP-04--Logistics
- OP-06--International Defense Planning
- OP-09--Research, Development, and Acquisition
- OP-09R--Naval Reserve
- OP-099--Physical Security
- OP-095--Naval Warfare (including Electronic Warfare)
- OP-094--Information Systems and Base Communications

Figure 2-4. DCNOs/DMSOs with Assessment Sponsorship

In his watchdog role, the Assessment Sponsor examines each Resource Sponsor's existing and proposed resource alignments with regard to the assessment area. OP-01 looks at manpower resources (specifically, the types and numbers of manpower associated with each Resource Sponsor's total resource line), as well as programmatic areas pertaining to training and personnel administration. As stated in the earlier discussion of Resource Sponsor jurisdictions, most of the Resource Sponsors own some sort of training programs. As Assessment Sponsor, OP-01 is charged with determining whether the resources devoted to those training programs are the proper type and amount. The quick reader will have already remembered that OP-01 is also a Resource Sponsor, whose jurisdictions includes numerous training programs. Does this mean that he "assesses" himself? In a word, yes. This overlapping of responsibilities is a significant feature of the POM relationships. Gilbert and Sullivan fans might be reminded of Pooh-Bah in "The Mikado," who as the Minister of Morals was offended at the suggestion of accepting bribes but as the Councillor of the Exchequer was in a perfect position to write out a check.

Resource Sponsors work under stringent constraints for both manpower and fiscal resources. As will be repeatedly evident, they have numerous "petitioners" trying to convince them how to program those resources. The Assessment Sponsor is one such petitioner; his job is to promote coverage of his parochial interests. The opportunity for conflict of interest is obvious. Whether or not it actually occurs is extremely difficult to document, at least for outsiders to the organizations involved.

The Assessment Sponsor has two opportunities to examine each Resource Sponsor's resource base: at the outset of POM development

(October/November), and again following the submission of the Resource Sponsor's Program Proposal to OP-90 (March). The purpose of the first look is to recommend changes to the resources in the approved program base, prior to POM adjustments. These recommendations are documented in the Baseline Assessment Memoranda, which are sent to the cognizant Resource Sponsors (with a copy to OP-90). The second look analyzes Sponsor Program Proposals to ascertain whether or not the Baseline Assessment Memoranda recommendations were followed at the individual Resource Sponsor Level. A scorecard is documented in the Post-SPP Assessment, sent to the same players. If his recommendations fell on deaf Resource Sponsor ears, the Assessment Sponsor may persuade higher authorities to direct change during the "end-game" period prior to finalization of the Navy POM (April-May).

This underscores an important point about the Assessment Sponsors' role in POM formulation: they themselves have no power to enforce a Resource Sponsor to comply with their assessment. Should the Resource Sponsor disagree as to the criticality of the assessment, he will not have to accommodate it unless directed by higher authorities during the "end-game" period following submission of the Resource Sponsors' Program Proposals.

Another aspect of the assessment function is that it does not cover all facets of the Navy's resource base. As can be seen from the list in Figure 2-4, some of the areas are of such broad scope as to preclude detailed examination in the compressed schedule of annual POM development. This is particularly true during the post-proposal assessment

(typically, Assessment Sponsors have two to three weeks to review up to 14 Sponsor Program Proposals; this does not facilitate in-depth examination).

In addition, each Assessment Sponsor does not review his area comprehensively each year. Prior to the first assessment, selected topics are chosen (usually at the initiation of the Assessment Sponsor, subject to approval by OP-90, the POM activities coordinator). Only these topics are examined during that cycle, and these only at the margin.

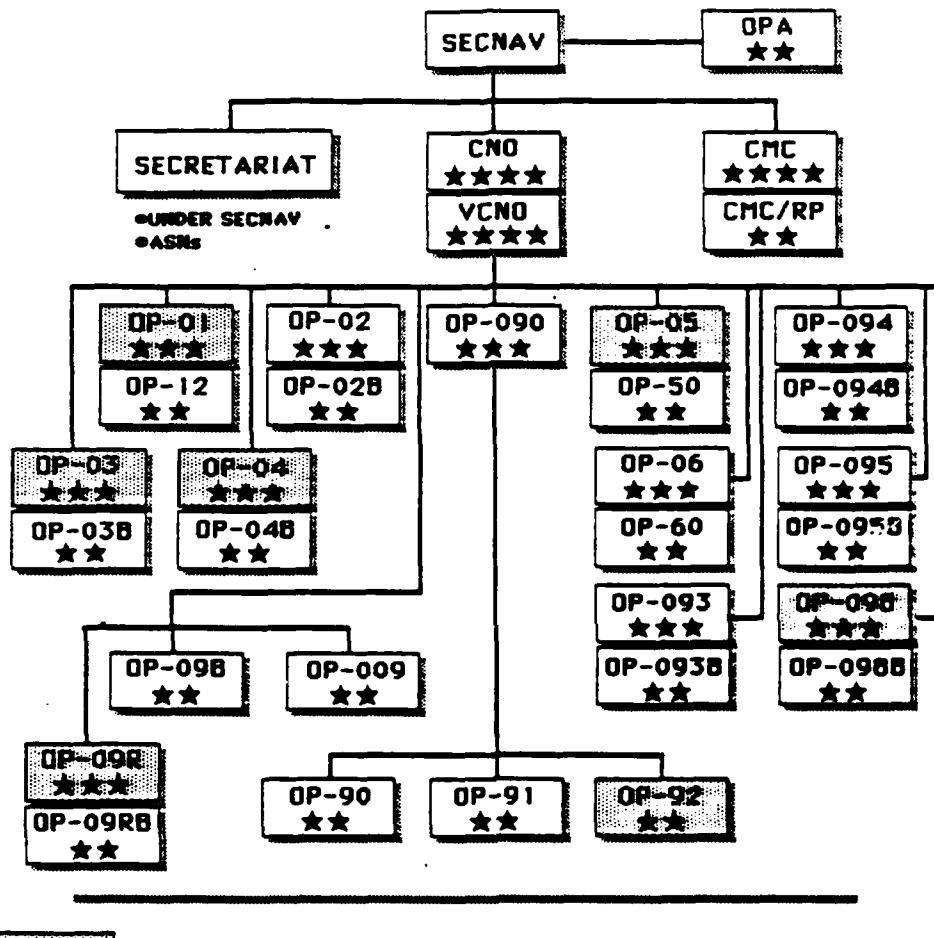
The exception to this is a relatively recent innovation, whereby one Assessment Sponsor is assigned to conduct a comprehensive review of his area, not just at the margin but in its entirety. Introduced in the POM-84 cycle, the Baseline Area Appraisal has had mixed results, in terms of its perceived quality and its impact on resource decision-making. Again, the massive scope of most of the assessment areas restrict examination to certain subsets.

In POM-87, the area selected for in-depth review via a Baseline Area Appraisal was the Naval Reserve. The Director of Naval Reserve, OP-09R, was assigned the task.

The Assessment Sponsor function is discussed in greater detail in Chapter 4 of this thesis, using the actual experience of two Assessment Sponsors during the POM-87 cycle.

### c. Appropriation Sponsor

Another perspective of review involves the Navy's resource base as the Congress (and the internal Department of Defense budgeting-phase players) see it: in terms of appropriations. Figure 2-5 lists the Navy appropriations and their sponsors during the POM-87 cycle.



- Appropriation Sponsors**
- OP-01—Military Personnel, Navy
  - OP-03—Ship Construction & Conversion
  - OP-05—Aircraft Procurement, Navy
  - OP-098—Research, Development, Test and Evaluation
  - OP-04—Military Construction, Navy Family Housing, Navy
  - OP-92—Weapons Procurement, Navy Operations & Maintenance, Navy
  - OP-094—Reserve Personnel, Navy Operations & Maintenance, Navy Reserve Military Construction, Navy Reserve

Figure 2-5. DCNO's/DMSOs with Appropriation Sponsorship

According to POM Serial 87-1, the function of the Appropriation Sponsor is to "ensure that programs submitted are properly structured, priced, supported and balanced within fiscal controls" (the Serial offers no further direction on how this will be accomplished). Appropriation Sponsors are also to "advise the resource sponsors and OP-90 regarding the feasibility of programs and make recommendations based upon their more detailed knowledge of the budget process." [Ref. 15: Encl. (2), p. 3] The impact of Appropriations Sponsors on POM development is not entirely clear from the foregoing official guidance. Programming deals with resource alignment in a different fashion than budgeting. Not only is the level of detail different in the two PPBS phases (from "generalized" programming to "specific" budgeting), the aggregation of resources is different, as well.

Programming, as the name implies, emphasizes resources in terms of output--specifically, "programs" designed to fulfill a pre-defined mission or attain some objective. As such, Department of Defense resources have been categorized into programmatic aggregations (based on the ten major defense programs established in the 1960's<sup>7</sup>). Each "program" may contain several types of resources--manpower (active-duty military, Reserve, and/or civilian) and fiscal (one or more of the Congressionally approved appropriations). This concept is illustrated in Figure 2-6.

For example, the Navywide Personnel Administration Support System constitutes a "program," categorized under Major Defense Program 9

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<sup>7</sup>The ten are listed in Appendix B.

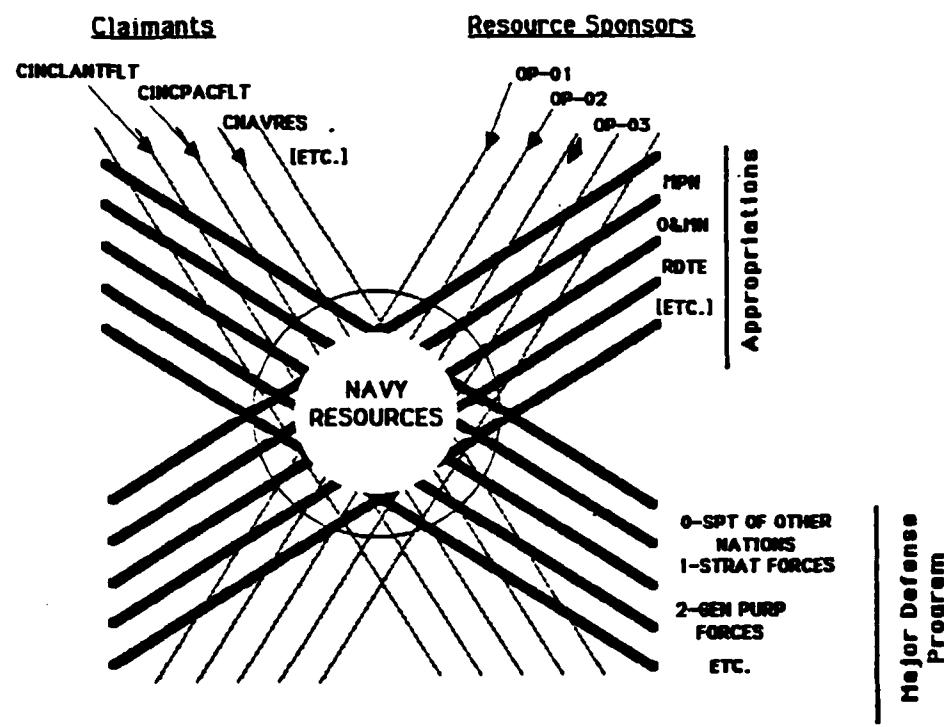


Figure 2-6. Appropriations versus Programs

(Administration). "PASS" includes all three types of manpower; the Military Personnel, Navy, and Reserve Personnel, Navy, dollars to pay the active and Reserve manpower, Operations and Maintenance, Navy, dollars to pay the civilian employees and cover all other operating expenses; Military Construction, Navy, dollars to pay for the physical facilities in which PASS offices are housed; and Other Procurement, Navy, dollars to pay for major equipment investments. Since some PASS offices are on installations devoted primarily to the Naval Reserve, the program also includes resources from the Military Construction, Navy Reserve; and Operations & Maintenance, Navy Reserve; appropriations.

Although the Resource Sponsor tends to look first from the programmatic perspective, it does not mean that he is impervious to the type of appropriations involved. The Appropriation Sponsor looks solely at the matter in terms of appropriations. However, his input is only formally called for toward the end of POM development, after the Resource Sponsors have submitted their individual Sponsor Program Proposals for review, balancing, and consolidation into the Navy POM. Another fact remains clear: like Assessment Sponsors and claimants, Appropriations Sponsors lack the effective power to force Resource Sponsors to comply.

d. OP-090

As stated earlier, the responsibility for overseeing the POM development has been assigned to the Director of Navy Program Planning (OP-090). As the organization chart in Figure 2-1 confirms, OP-090 reported directly to the Chief and Vice Chiefs of Naval Operations. A three-starred vice admiral, he is effectively their pointman for resource matters throughout the PPBS cycle. OP-090's tasks are best summarized by the

single sentence from the OPNAV Organization Manual that states his official mission:

To exercise centralized supervision and coordination of the Navy program planning and study effort to ensure the integration of planning, programming, budgeting, and appraisal within OPNAV and the management echelons subordinate to CNO. [Ref. 2: p. 090-3]

A more concise statement later in the same document better synopsizes the essence of his job: "Provides professional and technical advice on program and budget matters to CNO." The process by which he accomplishes that responsibility is obviously more complicated, involving him in a great deal of coordination throughout the PPBS phases.

As the organization chart shows, OP-090 has three two-starred Rear Admirals reporting directly to him. The titles of these three--the Director of the General Planning and Programming Division (OP-90), the Director of the Program Resource Appraisal Division (OP-91) and the Director of the Fiscal Management Division (OP-92)--indicate how OP-090 apportions his responsibility to coincide with the duality of the PPBS process. Two of the Division Directors--OP-90 and OP-92--are OP-090's point men during the planning/programming and budgeting phases, respectively. His third subordinate, OP-91, plays an important role in POM development.

(1) OP-90--"The Honest Broker". OP-090's formally stated duties include numerous references to his responsibilities in the programming process. These statements could well serve as the job description for his Rear Admiral subordinate, OP-90, because that individual is the workhorse who actually bears the bulk of the such OP-090 functions as described:

Provides guidance and exercises centralized coordination in the preparation, review, presentation, and subsequent promulgation of CNO/VCNO decisions on Navy programs and plans.

Reviews and evaluates programs for balance of individual programs and overall balance within the Total Navy programs. Ensures adequacy of programs development to support Navy plans. When necessary, recommends changes to program sponsors to CNO or VCNO.

Reviews program, financial and manpower decisions and evaluates their impact on the Navy program efforts. Recommends to program sponsors or to the VCNO program adjustments to restore overall program balance.

Evaluates program progress and makes, as required, recommendations for corrective action to the program sponsors or the CNO.

The foregoing are quoted in full because they provide a fairly explicit summary of OP-090's (and, by extension) OP-90's role during the programming phase of PPBS; this is not always the case with such documents.

As is obvious, the OP-090 job carries considerable power; by extension, so does the OP-90 billet.<sup>8</sup> During POM development, both wield considerable impact over resource decision-making. The nickname for OP-90, "The Honest Broker," reflects his job responsibilities. Not only does he coordinate POM activities, he is given the task of turning 14 "mini-POM's"--the Sponsor Program Proposals--into one consolidated Navy POM, characterized by compliance with all necessary guidance, reflecting a "good" balance among programs and priorities, and acceptable to the CNO and the Secretary of the Navy.

In short, although the Resource Sponsors constitute the first line of decision-makers, their proposals can be overruled if OP-090 deems

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<sup>8</sup>Significantly, almost every OP-90 incumbent of recent years has gone on to the Navy's top jobs; the list of former OP-90's includes several VCNO's, Chiefs of Naval Material, and even CNO's.

them to be in need of adjustment (due to failure to accommodate particular programs, lack of balance among programs, specific direction from higher authority to accommodate particular objectives, etc.) As the frontline manager of the POM process, OP-90 is more often the actual source of such recommendations. OP-090's three stars permit him to deal on an equal basis with the designated CNO/DMSO Resource Sponsors (refer to Figure 2-1), his spokesman is usually two-starred OP-90.

As mentioned in the first reference to the organization chart in Figure 2-1, each of the Resource Sponsors has appointed a two-starred deputy to deal with POM development. Their comparable rank allows OP-90 to deal with them horizontally. Inevitably, conflicts arise. One can imagine the frequency with which the various Rear Admiral Resource Sponsor deputies must report to their bosses that OP-90 has meddled with their program. Presumably, the Vice Admiral Resource Sponsor can go over OP-90's head and request reconsideration by his boss. For that matter, he can go up even higher and petition the VCNO or even the CNO. However, if there are instances in which OP-090 has failed to support the judgments of his subordinates, they are certainly not well documented! For practical purposes, the OP-090 organization constitutes a reasonably solid front; what they say usually goes.<sup>9</sup>

OP-90 carries out his POM responsibilities via a fairly small staff of "analysts"--approximately two dozen mid-grade (O-4 through O-6) officers and civilians. These analysts deal with the total Navy resource

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<sup>9</sup>One assumes that the staff have a fairly good feel for the CNO's and SECNAV's opinion before issuing edicts on potentially volatile Resource Sponsor disagreements.

base in terms of functional or task area (for example, "Air Warfare"; "Manpower, Personnel, and Training", "Base Operating Support", "Naval Reserve": etc.) Each analyst has been assigned responsibility for reviewing certain Resource Sponsors' Program Proposals, as well as for monitoring each appropriation. In short, the individual OP-90 analysts have numerous reviewing and monitoring responsibilities, dealing with several perspectives on the Navy's total resources.

(2) OP-91. One prevailing theme of Navy resource decision-making is that it involves consideration of the Navy's resource base from multiple perspectives. The Assessment Sponsors, for example, look at programmatic resources from broadly defined areas of warfare tasks. The functions assigned to OP-91, the Director of the Program Resource Appraisal Division, are somewhat similar but more comprehensive.

OP-91 provides OP-090 with analytical services on a broader, more abstract basis than OP-90. As CNO's "appraiser," OP-91 is charged with such tasks as the following:

Reviews and analyzes resources for readiness, sustainability, logistics, manpower and support requirements.

Defines and describes planning, programming, and policy issues for addressal in development of the Navy's POM. Prepares CPAMs.

Assists in the preparation of the annual Navy POM submission to OSD and assists in the review of corollary OSD Issue Papers and the Program Decision Memorandum.

Provides program appraisals and reviews including resource tradeoffs and options for CNO and OP-090.

Serves as the Senior Navy advisor for resource analysis to CNO and SECNAV. [Ref. 2: p. 91-1]

Fairly early in the POM development cycle, during the autumn, a series of CNO Program Analysis Memoranda (CPAM's) are developed by

various organizations. The CPAM provides a "fiscally constrained and issue/capabilities oriented overview of the [most recent] FYDP . . . update . . . . CPAMs will focus attention on policy and programmatic issues." [Ref. 15: p. 3.] In POM-87, OP-91 was assigned CPAM's in Manpower, Personnel and Training, Readiness and Sustainability (including Fleet Support and Sealift), and Resources.<sup>10</sup>

A CPAM helps set the stage for POM development, by addressing implications of existing and predicted weaknesses in the Navy's resource allocation. As its name implies, the CPAM is intended to inject analysis into resource decision-making.

At the point of their initial presentation, the CPAM's do not constitute directives for Resource Sponsor action. Their primary audience is the CNO (and his POM development staff). If he (and they) are convinced of the validity of CPAM recommendations, he may wish to formally direct their implementation; this will typically be included in CNO's formal guidance document, issued to Resource Sponsors in February.

That guidance should contain no major surprises for Resource Sponsors, however, since they (and/or their deputies) will have been in attendance when the CPAM's are presented in the fall.

(3) OP-92. The dual nature of the Navy's resource decision-making system has already been covered in some detail in this chapter. That discussion should not be interpreted to indicate that OP-92, the Director of the Fiscal Management Division, has no role in POM development. It does mean that he takes a back seat. This is literally true in one symbolic case:

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<sup>10</sup>Two other CPAMs were prepared in POM-87: Maritime Strategy (OP-06), and Research, Development & Acquisition (OP-098).

the PDRC. The PDRC--short for Program Development Review Committee--might best be described as OP-90's board of directors.<sup>11</sup> The PDRC is composed of the two-star flag officers in Figure 2-1, and representatives from the Secretariat. This board provides a forum for presentation of almost every major milestone of the POM development process--CPAM's, appraisals, Sponsor Program Appraisals, and so forth. Significantly, the seats at the conference table are reserved for the Resource Sponsor representatives and two or three others. OP-92 sits behind one of these "primary participants." Presumably, if a proposal at hand represented something in complete disarray from the OP-92/budgetary perspective (for instance, a fiscally unexecutable program), he presumably would speak up.

e. Navy Component Commanders

The Navy Component Commanders (a relatively recent term for what used to be called the Fleet Commanders in Chief) are the major group of non-Navy Department residents who wield influence in the POM development process. Notwithstanding the fact that they are also major claimants, and as such can only request and/or recommend programming actions to the Resource Sponsors, they are also the Navy's operational commanders, the men responsible for putting the resources to best use.

Among the changes in defense management introduced by the Reagan Administration, the so-called Carlucci Initiatives of 1981, increased emphasis was accorded operational commanders in the PPBS process overall. In the Navy's POM development, the Fleet Commanders in Chief have the opportunity to make input early in the cycle, during the

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<sup>11</sup>The highly descriptive term used by a past OP-90, Rear Admiral Robert Walters.

autumn "setting the stage" months while Resource Sponsors are beginning to formulate their proposals. At that point, the Fleet Commanders are briefed on what OP-090 and OP-90 feel are the most likely POM issues; they in turn make their views known. This, together with their direct input to the Resource Sponsors as claimants, "will ensure that [they] have a voice in the entire programming process."

A formal vehicle for that "voice" is the "Top Five" submission, whereby the five most important priorities of each Component Commander are submitted to the CNO.

However--like so many of the "petitioners"--the Navy Component Commander cannot force a Resource Sponsor to give him what he wants simply by saying he wants it. POM Serial 87-1 hastens to assure that "Navy Component Commander inputs will receive full consideration during the development of CPAM's, warfare appraisals, and SPP's." It stops short of commanding Resource Sponsors to actually accommodate those inputs.

Given the position that the Fleet CINC's occupy in the Navy hierarchy (four-star admirals, the peers of the CNO), one assumes that their requests carry more than the average clout relative to other POM inputs. One logical target for their recommendations is the CNO's formal guidance to Resource Sponsors issued in February. In short, if he can convince the CNO that his need is great enough, the Fleet CINC may have it translated as a "do-it" for the cognizant Resource Sponsor.

#### 4. Review Groups

To recap somewhat: the basic responsibility center for resource decision-making during the programming phase is the Resource Sponsor. The preceding discussion has introduced some of the players who recommend

and/or direct what decisions the Resource Sponsor should make. However, he retains considerable latitude in deciding how to allocate the resources assigned to his jurisdiction.

This is not to say that he can make those decisions unilaterally. He is monitored continually throughout the POM development process. Not only does OP-90 keep track of what the Resource Sponsors are doing, various groups of individuals periodically review all important aspects of POM development.

Four groups are of particular significance: In ascending order of seniority, these are the Program Development Review Committee, the Program Review Committee, the CNO Executive Board, and the Department of the Navy Program Strategy Board.

a. The Program Development Review Committee

Introduced in the preceding discussion of "Major Players," the "PDRC" consists of two-star officers, including representatives from every DCNO and DMSO office. Other members of the PDRC include a two-star Marine General (OP-90's counterpart in the Marines), one or more representatives from the Secretariat, and the Director of the Office of Program Appraisal. The PDRC, chaired by OP-90, constitutes the first important line of review. In effect, it is a flag-level working group for POM development. Virtually every presentation--CPAM, appraisal, SPP, etc.--is debated before this group before being heard in the more rarified three- and four-star chambers.

Perhaps the most important purpose of the PDRC is as a forum for communication, to ensure that the Resource Sponsors and others with a direct involvement in POM development are kept apprised of what is

happening. All Resource Sponsors are represented; all hear the recommendations in the CPAM's and appraisals. Following submission of the Resource Sponsor Program Proposals, the Resource Sponsor representative makes an oral presentation before the PDRC, so that his boss' colleagues can clearly see how his program decisions affect their own.

b. ... Program Review Committee

Chaired by OP-090, the "PRC" comprises the three-star DCNO's and DMSO's, as well as the Marine major general mentioned above, and the Director of the Office of Program Appraisal. The PRC hears almost all the same presentations and briefings given to their junior counterparts in the PDRC.

A relatively recent innovation (first introduced in the POM-84 cycle), the PRC was created to reduce the number of briefings given to the CNO Executive Board. Previously, the complete PDRC schedule was repeated before the CNO-chaired board. Since a typical POM development cycle gives rise to some thirty briefings in the space of approximately six months, and since the CEB has numerous other reviewing responsibilities, it is easy to see how the Navy's top leadership could spend its entire working day closeted in semi-darkened conference rooms, gazing at viewgraphs, and listening to action officers read them the text thereon.

The PRC comprises almost the same membership as the CEB, less the CNO and the VCNO.

c. The CNO Executive Board

If the PDRC can be termed OP-90's board of directors for POM development, the "CEB" can be described as filling the same need for the CNO. A major difference is that the CEB may be convened for any matter on

which the CNO wishes council. The group does play a role in POM development decision-making, but only at critical points. They typically hear the summary presentations, rather than every appraisal, proposal, etc.

d. The Department of the Navy Program Strategy Board

Another creation of recent vintage, the "DPSB" was an innovation of Secretary of the Navy Lehman. Its functions parallel those of its counterpart at the OSD level, the Defense Resources Board. Like that group, the membership of the DON Program Strategy Board is heavily weighted toward the Navy's civilian executive staff--that is, the politically appointed Under Secretary and Assistant Secretaries of the Navy. Military members include the CNO and Commandant of the Marine Corps, the Director of the Office of Program Appraisal, OP-090 and his Marine Corps counterpart, OP-90 and OP-095 (the Director of Naval Warfare).

Secretary Lehman personally chairs the DPSB. It thus represents the final decision-making point within the Department of the Navy. As asserted earlier in this chapter, Mr. Lehman has taken an increasingly active role in POM development as his tenure has progressed. He has injected himself into the decision-making process earlier each cycle; by POM-87, the DPSB had reached the point where it was acknowledged as "the centerpiece of final POM development." [Ref. 15: p. 2] This naturally created challenges for the CNO staff members involved in POM development. It in effect derailed what they had in prior years come to expect as a predictable, upward flowing review process, in which the big boss didn't see the product until they had fine-tuned and refined it. The big boss made it clear that he (and his civilian executives) intended to have a hand in the fine-tuning and refining activities.

As the discussions in the following chapters of what actually happened during POM-87 will confirm, the DPSB exerted considerable impact on results--and on the process itself.

##### 5. Navy Programming: The Process in Summary

The preceding sections of this chapter have introduced various elements of the Navy POM development process--the major players, some of the decision-support products (CNO Programming Analysis Memoranda, appraisals, Baseline Assessments, etc.) Before proceeding to the next chapters' recounting of actual POM-87 events, a brief synopsis of the Navy POM cycle will wrap up any loose ends, putting the balance of the information in this chapter into context.

In terms of timing, the Navy POM development process is roughly divided into three phases: Program Planning (August-January); Programming (January-April); and Final POM Development (April-May).

###### a. Program Planning (August-January)

This stage commences with the publication of POM Serial XX-1, and terminates mid-January, with the issuance of Defense Guidance.<sup>12</sup> During the program planning phase, the basic analytical groundwork is laid,--the CPAM's, appraisals, Baseline Assessments, claimant input, etc.--setting the stage for Resource Sponsors to array their programs, determine their priorities, and make their tradeoffs.

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<sup>12</sup>The scheduled release date for Defense Guidance has proven vastly unreliable during the 1980's. In some years, it arrives "on time" (or at least during the month of January); more often, it drifts in weeks or even months later. This obviously places certain inconvenience on those involved in POM development, requiring them to indulge in considerable second-guessing and furious last-minute corrections.

During POM-87, two pieces of preliminary guidance were promised during the program planning phase: CNO Planning and Programming Guidance and the Department of the Navy Planning Guidance, aimed at their respective levels of POM decision-makers. POM-87 procedures consolidated these into a single document.

As stated repeatedly throughout, claimants do not enjoy extensive power during the POM development phase of the Navy's PPBS cycle. They do, however, have a voice in making their desires known: Claimant Input via OP-90. As will be emphasized in the following chapter, Resource Sponsors have considerable latitude in how they structure their Sponsor Program Proposal development. Few Navywide procedures specify from whom Resource Sponsors must accept input; fewer still constitute specific direction to program resources.

That is, a Resource Sponsor may request recommendations from the claimants having resources in his jurisdiction. Then again, he need not. Obviously, many claimants felt themselves to be cut out of important decisions. As a partial solution to this, OP-90 coordinates a process whereby claimants submit their issues via him. This is officially called Claimant Input. OP-90 in turn forwards those issues (that is, resource requests) to the cognizant Resource Sponsor.

That action does not, unto itself, compel the Resource Sponsor to comply with the claimant's request; it simply ensures that the request becomes a matter of public record.

At the presentation of his Sponsor Program Proposal in March, each Resource Sponsor is required to acknowledge the "top five" issues received from each claimant and to tell what he did with those requests.

He faces the same requirement for other types of recommendations (i.e., resource requests!) he receives from his various petitioners--Baseline Assessments, appraisals, etc. A proviso has been applied to almost all such "petitions," however: the individual making the recommendation is also instructed to identify offsetting resources from within the same area. That is, if a claimant identifies a deficiency in OP-01's funding of a particular program in his claimancy--say, in the Personnel Administration Support System program--he must accompany his request with specific resources from elsewhere in his claimancy to cover the additions he wishes made to PASS. (In effect, the claimant is simply asking the Resource Sponsor to approve a reprogramming request!) Failure to identify offsets immediately relieves the Resource Sponsor of any obligation to accommodate the request. The next chapters will indicate how this worked in practice.

One of the final activities during the Program Planning phase gives the Resource Sponsors the opportunity to themselves become petitioners of a sort: during the Program Issues Summary, each Resource Sponsor is afforded the chance to present what he believes to be his "top five" issues requiring resolution during the POM deliberations. These issues typically fall into one of two categories: pleas for additional resources or exhortations to protect an existing pool of resources. The ultimate goal of the Program Issues Summary--like that of most activities during the Program Planning phase--is to inject content into the CNO's Programming and Fiscal Guidance, which will be issued during the next stage in POM development.

b. Programming (January-April)

During this stage, Resource Sponsors put the finishing touches on their mini-POM's, the Sponsor Program Proposals. They have received "resource requests" from dozens, perhaps hundreds of petitioners. What is happening to them will be repeated on a larger scale during the final POM development stage: they are struggling to identify and accommodate the truly necessary requests, remain within fiscal and manpower controls, find areas to cut in their existing programs in order to fund the new increments, retain an acceptable balance among their various programs--and comply with whatever mandatory guidance they may have received from higher authority.

The most significant source of such direction is the CNO's Programming and Fiscal Guidance. Typically issued in mid-February (as a POM Serial), CPFG is arguably the most significant POM development guidance the Resource Sponsors receive. To be sure, the Secretary of the Navy and the Department of the Navy Program Strategy Board will inevitably affect some of his resource decisions, but the guidance he receives from his immediate boss, the CNO, comprises the most comprehensive directive he may expect.

CPFG is scheduled for release following issuance of Defense Guidance, so that the CNO can interpret and pass on relevant directives from the Office of the Secretary of Defense. In addition to overall policy and guidance from the OSD level, CNO's guidance will include policy enunciations from his own level. He may also direct Resource Sponsors to make specific programming decisions (establish new training programs, fund specific

equipment, etc.) CPFG edicts are widely accepted as "do-its," not subject to negotiation (at least not publicly).

Undoubtedly the most eagerly awaited section of CPFG are the four pages detailing the fiscal and manpower controls for each Resource Sponsor. These represent the real bottom line for Sponsor Program Proposal development and finalization. The perennial hope is, naturally, for an increase over the status quo. As the Reagan era began, Resource Sponsors were not disappointed. As the Administration moves into its later years, the plump increases of POM-83 and -84 are no more. Increments, such as they are, are much more modest and not infrequently negative.

In addition to dollars, each Resource Sponsor is constrained as to the military and civilian manpower he has at his disposal. Since the Congress authorizes specified numbers of military manpower for each service, it is up to the service to allot that resource among its suborganizations. In this regard, manpower becomes just that--"a resource," subject to the same constraints as money.

The end product of the Resource Sponsor's balancing/prioritizing/offsetting/refining exercise is his Sponsor Program Proposal. His SPP (not unlike the Department of the Navy POM into which it will ultimately be folded) consists of two tangible products. The first is a computerized "revision" to the existing Five Year Defense Program resource array, which portrays his recommended changes in resource levels. The data processors in OP-90 produce an "updated" resource array, which is then turned over to the OP-90 analysts for scrutiny.

The second tangible product of the SPP is the presentation--an executive summary designed for briefing the PDRC and PRC. This is when

the Resource Sponsor has his day in the sun--and when his peers can see how what he has done might affect their own resource lines. Part of the SPP presentation typically requires accounting for various "petitions," such as Claimant Input, Baseline Assessments, and the like. Were those recommendations/resource requests accommodated? If not, why not (the failure of the petitioner to identify offsets from within his own jurisdiction is probably the most frequent explanation). The Resource Sponsor is usually required to formally account for any specific actions directed by CPFG.

Following the presentations at the two-starred PDRC level, the Resource Sponsor may be directed to make certain revisions. For instance, if he failed to accommodate a provision of CPFG or a warfare appraisal recommendation or whatever, OP-90 may direct him to do so before the presentation is given to the next level of reviewers. The process may be repeated at the higher level.

The vehicle for communicating these "do-its" is commonly called a 'ZOW.'<sup>13</sup> The ZOW represents a non-negotiable "do-it."

The Resource Sponsor is also obligated to prepare a special document dealing solely with the Claimant Input via OP-90. Called the Sponsor Program Proposal Document, this reiterates what was done with claimant requests in the SPP and why. The Sponsor Program Proposal Document is forwarded to the claimant, as the only formal feedback he receives on SPP's.

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<sup>13</sup>The origin of this is obscure; it may be unique in DoD jargon in that it is not an acronym--perhaps it was coined on its onomatopoeic merits.

The Assessment Sponsors conduct their Post-SPP Assessment during the first two to three weeks following SPP submission. Their specific goal is to measure the final SPP against the Baseline Assessment produced five months earlier.

The final activity of the programming phase scheduled for the POM-87 cycle was the Program Evaluation Summary. The Program Evaluation Summary was intended to, for the first time, present the fourteen mini-POM's as a consolidated Navy POM. Intrinsic to this would be the identification of major unresolved issues requiring resolution by CNO and the Secretary of the Navy.

The presentation of the Program Evaluation Summary was scheduled to signal the transition into the final stage of POM development.  
[Ref. 15: p. 10]

c. Final POM Development: The "End Game" (April-May)

According to the initial schedule for POM-87, the "end game" was to focus on summary briefings to the Department of the Navy Program Strategy Board. From this forum, the DPSB Chairman, Secretary Lehman, would make his final decisions on the Navy POM, resolving outstanding conflicts and problems and making any other adjustments he personally deemed desirable. As the following chapters will discuss, some modifications to the schedule occurred, which had significant impact on the outcome for some players.

C. CONCLUSION

The Resource Sponsor holds the basic decision-making authority in POM development. The latitude accorded to OPNAV Resource Sponsors allows

them to determine their own procedures to a great extent; as long as the final product complies with mandatory guidance and is defensible throughout the review process, the Resource Sponsor will unlikely be challenged as to the methods he used to create that product.

However, as this chapter was intended to demonstrate, he does not work in a vacuum. His actions are reviewed by numerous groups, from several dimensions. To take the discussion from a description of what should happen, the following chapter will describe what actually did happen for one Resource Sponsor as he developed his annual Sponsor Program Proposal during the POM-87 cycle.

### III. THE RESOURCE SPONSOR FUNCTION: OP-01

The previous chapter dealt with the Planning, Programming, and Budgeting System in its overall Department of Defense and Department of the Navy contexts. The purpose of that discussion was to describe the system as it is covered by formal guidance and directives--that is, how it is supposed to work. Among the prevailing themes emerging throughout this thesis is the premise that actual experience does not always accurately reflect the prescription. In many cases, the formal guidance and directives do not extend to the level of detail actually involved in PPBS activities. In some instances, the actual practice simply departs from the formal guidance.

The purpose of the next three chapters is to explore what actually happened during a recent programming cycle, in selected offices in the Navy. The focus will be on two of the "sponsorship" functions defined and described in Chapter 2: Resource and Assessment. Each function will be examined in terms of how players performed in their roles in the real-world of POM-87 development; the discussions will identify the more significant events that shaped each sponsor's performance and important relationships with other players--other sponsors, OP-90, the various review groups, and so forth.

Since the Resource Sponsor represents the primary focus of resource decision-making during the development of the annual Navy Program Objectives Memorandum, examination and analysis of a real Resource Sponsor's POM-87 experience is a logical place to begin.

The Resource Sponsorship selected for examination is the Deputy Chief of Naval Operations for Manpower, Personnel, and Training (OP-01).<sup>1</sup> The next sections of this chapter will outline the general organization of the OP-01 office, in the context of POM-87 development; describe some of the major events of that cycle; and summarize the ultimate outcome of the OP-01 POM efforts.

A. THE DEPUTY CHIEF OF NAVAL OPERATIONS FOR MANPOWER, PERSONNEL, AND TRAINING: THE OP-01 RESOURCE SPONSORSHIP

1. Major Players

The DCNO for Manpower, Personnel, and Training is the fifth largest Navy Resource Sponsor, in terms of the dollars he controls (approximately \$5.2 billion of the Navy's \$100 billion total obligational authority for Fiscal Year 1987).

According to the official statement of his mission, OP-01's chief responsibility is:

To implement CNO responsibilities for managing the planning and programming of [Manpower, Personnel, and Training] resources, budgeting for military personnel and appraisal of Navy's total force MPT programs; to develop systems for requirements determination of total force MPT resources and allocation of military personnel . . . [Ref. 2: p. 01-3]

Before examining the OP-01 resource line in detail, a description of the organization, particularly those portions involved in PPBS activities, will set the stage by identifying the major players and their roles as prescribed by official directives.

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<sup>1</sup>Military usage often refers to the individual occupying a particular job by the title of that job, hence "OP-01" becomes the effective title of the vice admiral occupying that slot at the moment, as well as referring to the job itself. This thesis will follow that convention.

Figure 3-1 presents the OP-01 organization in macro: the Deputy Chief of Naval Operations (a vice admiral), his principal deputy (a rear admiral) and his six Division Directors (all except for OP-14, rear admirals; OP-14 is a civilian employee in the Senior Executive Service). In addition, OP-01 has several "special assistants." One of these is OP-01R, who advises him on Naval Reserve matters. Like the Division Directors, OP-01B and OP-01R have been assigned "Program Manager" responsibility for specified aggregations of resources.

Just as OP-090 serves as the CNO's pointman for PPBS matters, OP-12, the Director of the Total Force<sup>2</sup> Programming and Manpower Division, occupies a parallel position in the OP-01 organization.

As was pointed out in the previous chapter (refer to Figures 2-2, 2-4, and 2-6), OP-01 is not only a Resource Sponsor, but an Assessment Sponsor and an Appropriation Sponsor, as well. Interestingly, the Office of the Chief of Naval Operations Organization Manual, the official source of OP-01's mission and function statements, does not specify any of OP-01's assigned sponsorship responsibilities (although it addresses them by implication); the formal designations seem to have originated in the annual POM Serial Memoranda [Ref. 15: Encl. (2), p. 1]

OP-12 is the coordinator for all three types of activities. As should emerge during the discussion in this and succeeding chapters, OP-12's overlapping roles and responsibilities significantly affect how OP-01 performs his overall PPBS responsibilities.

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<sup>2</sup>"Total force" refers to the notion that the Navy comprises various types of manpower--full-time active-duty military, Reservists (both full-time active-duty and part-time "weekend warriors"), and civilian.

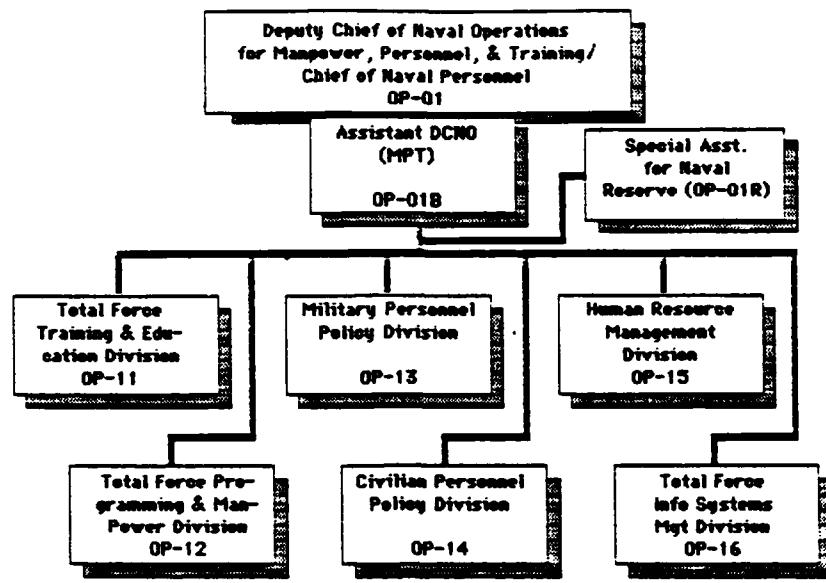


Figure 3-1. Organization of the Office of the  
Deputy Chief of Naval Operations for  
Manpower, Personnel, and Training (OP-01)

Figure 3-2 focuses on the OP-12 suborganization. Of the five branches, OP-120 has major responsibility for most POM-related activities associated with all three types of sponsorship. OP-120, a Navy captain (O-6) billet, is thus the focal point for each of the overlapping OP-01 POM responsibilities.

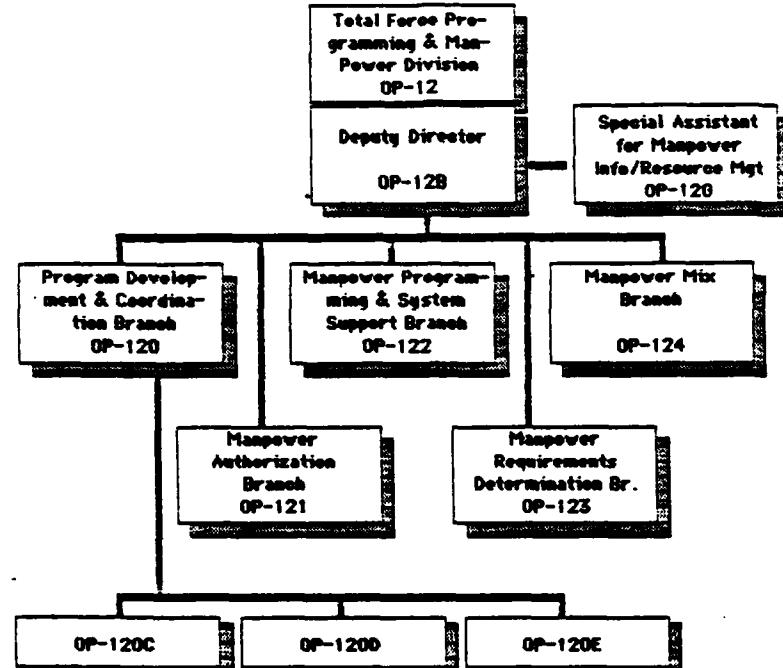
Significantly, the OP-120 branch was reorganized at the outset of major POM-87 events. This had considerable impact on the course of POM development that year relative to prior cycles. A brief examination of how OP-12 formerly operated will clarify the rationale for the reorganization and the revisions in how OP-01 handled his resources during the POM-87 cycle.

## 2. Components of the OP-01 Resource Line: What OP-01 "Owns"

The OP-01 Resource Line includes, as the DCNO's title implies, programs relating to the Navy's manpower management, personnel administration, and training functions.<sup>3</sup> The discussion in the previous chapter concerning the manner in which resources are assigned to particular Resource Sponsors stressed that OP-01 does not own all resources involved with Navy manpower, personnel administration, and training programs. It would be difficult to neatly summarize exactly what OP-01 does own, much less the rationale underlying specific assignments. In general, it would be

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<sup>3</sup>Navy parlance distinguishes between the two similar terms "manpower" and "personnel." The first refers to the more abstract notion of billets, the latter to the bodies who actually fill those billets. That is, manpower issues would involve the types of manpower--military or civilian--and numbers of billets to be programmed. Personnel matters would involve such issues as particular personnel administration efforts (drug rehabilitation, operation of the Naval Military Personnel Command, etc.)



**Figure 3-2: Organization of the Total Force Programming and Manpower Division (OP-12)**

accurate to say that he owns some manpower and some programs relating to personnel and training.

"Manpower" refers to a resource unto itself--that is, the billets authorized for the various types of manpower, subject to constraints from OSD and the Congress. Each Resource Sponsor thus owns the manpower resources required to support his respective programs. He owns, as well, the fiscal resources necessary to compensate that manpower.

As a Resource Sponsor, OP-01 owns manpower in all categories: active-duty military (Regular and Reserve), Reservists not on active duty, and civilian (over 600,000 manpower billets total). There are certain programs involving the administration of manpower matters that are also assigned to the OP-01 Resource Sponsorship. If this sounds confusing, it is because it is. For instance, perhaps the most important activity involving manpower is the annual analysis and determination of the numbers of each type of manpower the Navy should request the Congress to authorize. The bulk of the effort involved in these determinations goes on within the offices of OP-01's organization. However, Resource Sponsorship responsibility for these programmatic activities has been assigned not to OP-01, since he is not the Resource Sponsor for his own organization. Confusing? Absolutely.

In general, OP-01 is responsible for programs involving personnel administration and training that provide support to the Navy at large.

Examples in the personnel administration category would be the Naval Military Personnel Command and Recruit Training Command, which support the personnel administration needs that benefit the entire Navy. OP-01 also owns the fiscal resources involved in moving military personnel

between permanent duty stations. By contrast, personnel-related programs that can be tracked to a specific installation, such as Morale, Welfare, and Recreation, are considered to be the responsibility of the Resource Sponsor owning the particular naval base or air installation at which the personnel are stationed. An instance arguably inconsistent with this philosophy would be the Navywide Personnel Administration Support System. Although "PASS" offices are located physically on installations, PASS is centrally owned by the OP-01 Resource Sponsorship.

Similarly, OP-01 owns "entry"-type training programs (recruit training for newly enlisted personnel, the U.S. Naval Academy, the Naval Reserve Officer Training Corps program, and the [Surface] Officer Candidate School<sup>4</sup>); these programs provide training that benefits the Navy as a whole. OP-01 also owns postgraduate and other professional education programs not associated with any particular warfare area (the Naval Postgraduate School, graduate education for selected officers at civilian institutions, and the Naval War College). By contrast, training specific to a given warfare area, such as surface or air, would typically be the responsibility of the Resource Sponsor most closely identified with that warfare area. For instance, the Surface Warfare Officer School is in the OP-03<sup>5</sup> Resource line.

The foregoing are selected examples only, however. It would be a mistake to imagine that a consistent pattern applies to all resources. Resource assignment occurs on a case-by-case basis, often arbitrarily. The result is a patchwork that often leads to confusion and occasional conflict

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<sup>4</sup>But not its aviation counterpart, Aviation Officer Candidate School, which is in the OP-05 Resource line.

<sup>5</sup>The Resource Sponsor for Surface Warfare.

as to ownership. A recurring theme of every POM development cycle is the frequent bickering among Resource Sponsors and between Resource Sponsors and claimants as to who really "owns" a given resource responsibility (this is more often an issue with new program initiatives than with established efforts).

A better idea of what OP-01 owns may be derived from looking at how the resource line has been subdivided. The list in Table 3-1 defines in broad terms the types of programs that make up the \$5 billion in OP-01's resources.

The resource line is heavily weighted toward "operations" appropriations as opposed to "investment."<sup>6</sup> OP-01 has no involvement in major weapons systems acquisition or procurement; the primary procurement efforts involve automatic-data-processing equipment.

A tiny amount of the Navy's Research, Development, Test and Evaluation appropriation has been assigned to OP-01 in support of manpower, personnel, and training R&D efforts. The other major investment programs involve military construction at OP-01-owned bases and the entire Family Housing, Navy, appropriation.<sup>7</sup>

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<sup>6</sup>Operations and Maintenance, Military Personnel, and Reserve Personnel are examples of operations appropriations. Research, Test, and Evaluation; Military Construction, and Other Procurement are investment appropriations.

<sup>7</sup>This is a prime example of the inconsistency of Navy resource assignment; one would expect Family Housing to follow the pattern of unaccompanied personnel housing and thus be assigned to the resource line of the Resource Sponsor owning the base/station upon which the housing is located.

**TABLE 3-1**  
**OP-01 RESOURCE SPONSOR PROGRAM CATEGORIZATION**

<u>Program Title</u>	<u>Program Management Division</u>
ADP Programs.....	OP-16
Correctional Facilities (Operations/Construction).....	OP-15
Base Operations Support (Personnel Administration).....	OP-13
Base Operations Support (Training).....	OP-11
Civilian Personnel Management.....	OP-14
Civilian Training/Professional Development.....	OP-14
Dependents Education (DOD Schools).....	OP-15
Family Housing.....	OP-15
General Skill Training ("C"/"F" Schools).....	OP-11
Base Operations Support (Naval Home Gulfport).....	OP-15
General Skill Training ("A" Schools).....	OP-11
Human Resources Management (Operations/Construction).....	OP-15
Military Construction—Chapels.....	OP-096
Military Pay Bonuses (OP-01-Owned).....	OP-13
Military Compensation (Incl. RateEstablishment).....	OP-13
Military Construction—Training.....	OP-01
Military Construction—Marine Corps Support.....	OP-12
Manpower, Personnel, & Training Research & Development.....	OP-01B7
Military Personnel Administration.....	OP-13
Military Personnel Administration—Naval Reserve.....	OP-01R
Morale, Welfare, & Recreation (Operations/Construction).....	OP-15
NAVMIMACS/NAVMEP (Personnel Administration).....	OP-12
Navy Junior Reserve Officer Training Corps.....	OP-11
Off-duty/Voluntary Education.....	OP-11
Officer Acquisition.....	OP-11
Officer Acquisition—Nuclear.....	OP-13
Personnel Administration Support System (Operations/Construction).....	OP-01B5
Permanent Change of Station/Temporary Duty Under Instruction.....	OP-13
Manpower Support to Defense Agencies.....	OP-12
Manpower Support to Defense Agencies—Naval Reserve.....	OP-01R
Manpower Support Outside Navy—Other Services.....	OP-12
Manpower Support Outside Navy—Personnel Exchange Program.....	OP-13
Professional Development Education.....	OP-11
Recruiting/Advertising .....	OP-13
Recruit Training.....	OP-11
Total Force Manpower Management.....	OP-12
Training—Naval Reserve.....	OP-01R
Other Training Support.....	OP-12
Unaccompanied Personnel Housing.....	OP-15

### 3. "Program-itizing" the OP-01 Resource Line

The list of "programs" in Table 3-1 is fairly new to OP-01. First conceptualized in 1983, this division of resources into identifiable "programs" was not formalized for POM development until the POM-86 cycle.

The reader unfamiliar with the details of the DoD Planning, Programming, and Budgeting System might assume that the establishment of the "Ten Major Defense Programs" readily solved the problem of identifying the purpose of individual resources in programmatic terms. This is far from true; the chief contribution of the "Ten Major Programs" is to imply a labeling system for defense resources. Broken down into subunits called Program Element Codes, the ten programs constitute a very broad categorization. Most importantly, they--like any labeling system--are only as useful as the accuracy with which the labels are assigned.

Although Resource Sponsorship assignment is made more or less on the basis of Program Element Code ("PE's"), assignment does not follow a consistent pattern. In some instances, all resources in a given Program Element will be owned by a single Resource Sponsor. The breadth of some of the PE's is so large as to encompass several Resource Sponsor jurisdictions. Moreover, the PE codes themselves are far from uniform in scope. Some cover a limited, clearly defined area. PE 88731N, "Permanent Change of Station Travel" offers a tidy example: this PE includes only fiscal resources, all from the Military Personnel and Reserve Personnel appropriations, all within the OP-01 resource line.

By contrast, other PE's are enormous in their coverage. A particularly untidy example would be PE 25096N, "Base Operations--Other Base Support." This PE encompasses several million dollars, in at least

three appropriations, as well as both military and civilian manpower; it covers a host of functional activities involved in base operations support--morale, welfare, and recreation; housing operations and furnishings, and many more. No fewer than six Resource Sponsors share the total resources assigned to this PE, based on their ownership of individual installations.

Another feature of the programming phase compound the problems in such cases. POM development occurs on a fairly broad scale. Only manpower (and the associated compensation from the Military and Reserve Personnel appropriations) are programmed down to the level of the individual installation. The Operations and Maintenance dollars (the bulk of the resources in all base operating support accounts) are aggregated at a much higher level, according to function (for example, "morale, welfare, and recreation"; "operations and furnishings for bachelor housing"; etc.). Confusion over specific ownership becomes a normal way of doing business during POM formulation (and a continuing problem in translating the POM into the more detailed documentation required in budget formulation, which requirea that all resources be factored to the detailed level of individual activities).

In short, although every dollar and every unit of manpower bears a Program Element Code label, those labels are not, unto themselves, a useful system for organizing resources at a low level of detail.

Thus, although all resources were labeled according to PE code, the OP-01 Resource Line was not uniformly organized in terms of programmatic output prior to 1983. "Program" designations were often made *ad hoc*, to meet the need for a particular presentation or briefing.

The obvious question arises as to how those responsible for developing OP-01's POM managed to work with such a massive pool of resources without some means of categorization. The answer is partly intertwined with the organizational situation in OP-12 in the early 1980's

OP-120, head of the Program Development and Coordination Branch, was the individual responsible for preparation and submission of the OP-01 Resource Sponsor Program Proposal each year. A designated Special Assistant, OP-120A, served as the primary action officer directly responsible for the bulk of the actual coordination and preparation. To say that OP-120 and OP-120A were the focal point for OP-01 POM activities understates the situation. Between them, they handled 90 percent or more of SPP development activities and decisions. Higher levels of authority served principally in reviewing and approving capacities. Since OP-120 also had responsibility for overseeing OP-01's Assessment and Appropriation Sponsor activities, this obviously meant that the bulk of the SPP development was done by one individual: the lieutenant commander assigned to the OP-120A job.

Given the compressed nature of the POM schedule, together with the size of the OP-01 resource base (comprising over \$5 billion and over 600,000 manpower billets), the officer serving as OP-120A was extremely busy during the POM development months. Lack of time precluded the possibility of any real analytical work on resource requests; the judgments as to whether a given item should or should not be included was often based solely on the intuition of the OP-120A incumbent. Occasionally, items would be of high enough visibility to merit the attention of the flag officers

in the OP-01 organization. However, the bulk of resource requests were never seen by anyone higher than a captain (O-6).

The level of quality of the Sponsor Program Proposals produced during those years is not at issue in this thesis; if critical items were not included in those SPPs (or an abundance of extraneous items were), evidence is not available at this point.

In 1982, another lieutenant commander was added to the OP-120 staff to help handle the peak workload of POM development. This temporary assignment became permanent, doubling the size of the POM staff during the POM-85 cycle. However, many of the decisions made during that cycle were still made at the lieutenant commander level (the difference being that there were twice as many of them available to make such decisions).

It was during the interlude between POM-85 and POM-86 development cycles that the OP-01 resource line was finally categorized into specific "programs," identifiable as to common purpose and/or function. That categorization, plus a few relatively minor modifications, is the basis for Table 3-1.

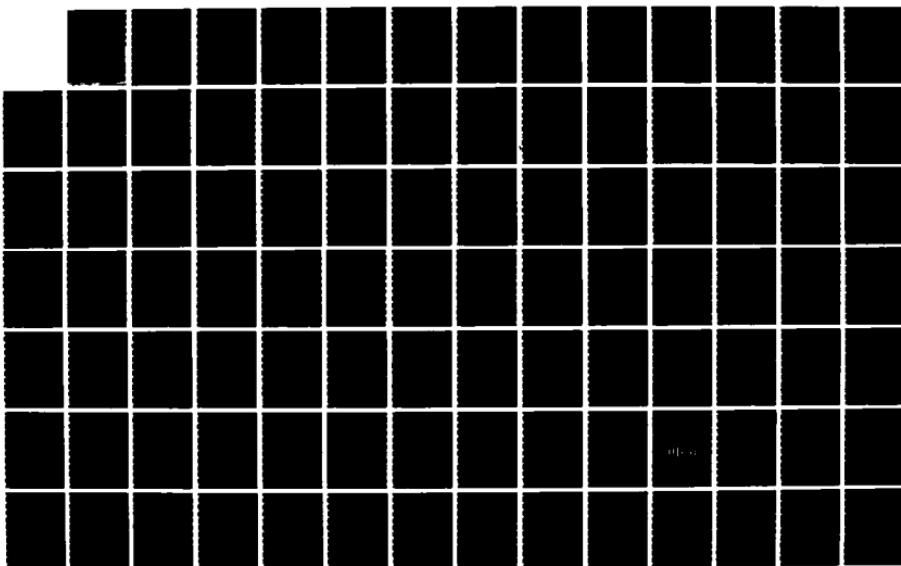
Categorization alone did not solve another problem, however. Although OP-01 resources were now visibly organized according to program, no designated "program managers" existed for most of the aggregations. In prior POM development exercises, resource requests were submitted by any and all who had an interest in a particular set of resources. For instance, the Commander of the Naval Military Personnel Command (CNMPC), a major claimant, was responsible for execution of the budgets of several naval activities (his own headquarters command, NMPC; the Naval Recruiting

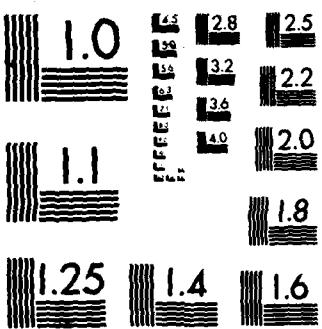
AD-A173 589 PREPARATION OF THE PROGRAM OBJECTIVES MEMORANDUM A  
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Command; the Navy Band; etc.) Resource requests for "his" activities came directly to OP-120 from CNMPC.

Similarly, requests involving training resources came directly from the major claimant in that area, the Chief of Naval Education and Training (CNET). However, CNET was not the claimant for such institutions as the Naval War College or the U.S. Naval Academy. Their requests might come directly from them, via their own major claimant (OP-09B), or cycled through another OP-01 division having a programmatic interest in their activities.

In sum, there was no formal system to divide program advocacy and program analysis. In many instances, the program manager was, *de facto*, the individual charged with executing that program--the claimant, thereby putting him in the dual role of policy maker and policy executer; such duality jeopardized the possibility of truly objective analysis.

#### 4. Program Analysis: The Need for "Honest Brokerage"

Given the shorthanded situation in OP-120, objective analysis was all but unheard of, save in very isolated instances. No procedures had been formalized for the systematic investigation of resources--either those already in the approved program base or those being proposed. Resource requests were judged on the credibility of the submitter, with no consideration given to his relative objectivity or lack thereof; if one of the two lieutenant commanders sharing the OP-120A job could be favorably disposed to a request, they became the *de facto* program advocates when presenting the total Sponsor Program Proposal to their bosses ("Captain, these folks really need this stuff!" could often ensure a successful request, whereas "These guys are really blowing smoke, Sir!" could effectively

destroy a petitioner's chances). In this light, claimants who maintained close contacts with the OP-120 staff enjoyed a distinct advantage. The Commander of the Naval Military Personnel Command was fortunate enough to reside in the same building. His POM coordinator had merely to walk around the hallway to communicate face-to-face with the two lieutenant commanders making resource allocation decisions. The Chief of Naval Education and Training routinely sent a delegation from his Florida headquarters to the Washington-based OP-120 spaces for extended periods during the POM development period.

One aggregation of resources had always been readily identifiable as associated with a particular programmatic activity, the Personnel Administration Support System (PASS); PASS had a formally assigned program manager within the OP-01 organization. That officer was a frequent visitor to the OP-120 area; her program prospered therefore.

By contrast, those resources lacking a dedicated source of advocacy--whether from claimant or elsewhere--often served as the first available target when resource cuts were called for. If there was no one to defend them (or, perhaps, even to explain their purpose), such resources could be extremely vulnerable.

To be sure, all such actions had the official sanction of flag officer approval, inasmuch as they were part of the Sponsor Program Proposal that was officially submitted by OP-01 himself, via OP-12 and OP-01B. However, OP-01 did not personally review every resource request--or every decrementing action. He saw the SPP in its summarized form, after all but the most contentious decisions had been made. That situation was paralleled at the lower levels of review within the OP-01 hierarchy.

Information was filtered as it was passed upward, so that the bosses could focus their attention on those items still at issue. This meant that much of the "real" decision-making took place at the lieutenant commander level, based primarily on intuition and/or personal impression.

The other OP-01 divisions regarded POM development as being the bailiwick of OP-12. Although the Division Directors were given the opportunity to review the total program at two or three milestone points during the creation of the Sponsor Program Proposal, neither they nor their staffs played a consistently strong role in that creation.

##### 5. Enter the Program Managers

An important initiative beginning with the POM-86 cycle was to designate a formal manager for each aggregation of resources--that is, each of the OP-01 programs listed in Table 3-1. Following the philosophy underlying the assignment of programmatic responsibilities at the OPNAV<sup>8</sup> level, management responsibility for the OP-01 programs were specifically assigned within the OP-01 organizations. This correlated with the philosophy of separating the functional responsibility of policy-making from that of policy execution. The CNO and his staff are seen to be most appropriate for the former, with claimants the logical repository for the latter.

In practical terms, this meant that POM-86 procedures represented an important departure relative to earlier cycles: for the first time, claimants were no longer linked directly with the Sponsor Program Proposal coordinators in OP-120A. Although claimants were still permitted to

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<sup>8</sup>Office of the Chief of Naval Operations

originate their own resource requests, those requests were reviewed by the individual who had been designated as the manager of the program. The Program Manager was intended to function in an advocacy role in dealing with OP-120. OP-12/OP-120 would assume the "Honest Broker" character of OP-090/OP-90. The Division Directors, OP-01B, and OP-01R would become "mini-Resource Sponsors," each with his own assigned pool of programs and resources (and, implicitly, with his own manpower and fiscal constraints).

The new system produced mixed results during the development of POM-86. A major difficulty lay in that fact that many of the so-called "Program Managers" had no idea of what it was they were to do. Nor was there any established doctrine to use in training them. The designation of "Program Manager" has its most explicit definition in the area of major systems acquisition; OP-01 did not have an operational definition of what a Program Manager was supposed to do in the non-acquisition world of its resource line, save that they were "to be responsible for their 'programs.'"

For example, recruiting and advertising resource requests had formerly come from the Commander of the Naval Recruiting Command (via his major claimant, the Commander of the Naval Military Personnel Command). No one in OP-01 had any detailed knowledge of the recruiting resource base or a comprehensive view of that program's purpose, design, operational peculiarities, etc. The individual assigned to be the Program Manager for recruiting had had no previous experience in resource analysis or management; she had to acquire all the requisite knowledge within a short time. Her Program Manager duties were added to an already extensive list of responsibilities.

In many cases, the OP-01 staff members assigned as Program Managers had no understanding of the PPBS in general, or of the POM development process in particular. When presented with a display of a resource aggregation, they lacked any frame of reference from which to assess it. Were the dollars and manpower "too much?" "Too little?" What purposes were the resources supposed to accomplish? Many of the new Program Managers had never worked with resources in this fashion and were able to do little more than merely pass on the requests they might have received from the more knowledgeable claimants.

#### 6. The OP-120 Reorganization

At the outset of POM-86, development of the OP-01 Sponsor Program Proposal was still handled primarily by the two lieutenant commanders in the OP-120 branch. Other OP-120 staff worked with the Assessment Sponsor functions, but the focus of OP-01's Resource Sponsor responsibility was essentially where it had always been--in the very few hands of relatively junior people.

This situation was amended during the course of SPP development (a full commander assumed responsibility for developing the proposal), but no real analytical effort was applied. Subsequent to the submission of SPP-86 and finalization of POM-86, OP-120 reorganized his staff with the purpose of, among other things, rectifying the analytical deficiency.

Prior to the reorganization, OP-120 had approximately 20 officers and non-clerical civilian employees on his staff. He restructured his personnel into three separate sections, each headed by a Navy Commander. One section, OP-120D, was dedicated primarily to coordinating-type functions, intended to handle all such efforts during all PPBS phases (since

this thesis concerns POM development, it is easy to overlook the fact that OP-120 is the effective pointman for other important events involving budget reviews at the OSD level, testimony for Congressional delivery, etc.) In terms of POM activities, specifically creation of the OP-01 Sponsor Program Proposal, the OP-120D organization inherited the responsibilities formerly handled by the OP-120A special assistant.

The other two sections, OP-120C and OP-120E, were given the responsibility of program and appropriation analysis. Patterned somewhat after OP-90's staff, the OP-120C and 120E staff were retitled as "analysts." Like their "Program Manager" counterparts in other OP-01 Divisions a few months earlier, the newly named "analysts" were not entirely sure of what exactly they were to be doing.

POM-87 was the first cycle in which the new OP-120 organization was tested. According to the officer serving as OP-120 during the latter part of that cycle (he had been OP-120E during the first part), the reorganization produced positive results. For one thing, it spread the work over a much broader basis, thereby increasing the total man-hours possible for SPP development. As with any innovation being tested for the first time, the reorganized OP-120 was not as effective as it conceivably would become in later cycles, as the analysts acquired greater experience with their new assignments.

#### 7. A Major Revision, Conceptually and Organizationally

In sum, then, OP-01 has implemented a new system for handling his Resource Sponsor responsibilities that represents a significant change from the methods of the cycles before POM-86. Since POM-87 was the first year that both important innovations--the Program Managers and the program

analysts--were in place, it naturally cannot be considered as a "normal" cycle, or a standard for all future operations. Undoubtedly, there were differences in both procedures during the POM-88 cycle--and will be in the POM-89, etc. Given the dynamic nature of POM development at the CNO and Secretary of the Navy levels, the most predictable aspect of any POM cycle is some sort of change relative to the previous year.

## B. DEVELOPMENT OF THE POM-87 SPONSOR PROGRAM PROPOSAL

### I. SPP Development: An Overview of the Process

In general, the process of SPP development parallels the process of POM development Navywide: **first, adjustments are proposed, relative to an existing arrangement of constrained resources. Then, decisions are made whether the proposals should be applied against the baseline.** The adjustments may be increases, decreases, or transfers from one category to another, but the essence of the process is that it is incremental. The programmatic resource base is not typically reviewed in its entirety each cycle, but only at the margin.

In the Navy, both dollars and manpower are considered as resources, because both are subject to constraints levied by higher authorities--the Office of the Secretary of Defense, the Office of Management and Budget, the President, and the U.S. Congress.

The process of receiving resource adjustment proposals, evaluating their validity, and making a final determination as to whether they should be applied to the existing array of resources sums up Sponsor Program Proposal development. However, each Resource Sponsor is given wide latitude in the specific procedures he wishes to use in crafting his SPP.

This section describes the experience in OP-01 during development of the POM-87 SPP.

In a very broad sense, SPP development can be depicted as the process of various petitioners lodging their opinions and recommendations about how a Resource Sponsor should array the resources assigned to his jurisdiction. Conceptually, this might be represented by the illustration in Figure 3-3. The separate boxes represent the various "petitions" coming into OP-01 throughout the POM development cycle. Some are in effect recommendations only, carrying no power to enforce compliance. Others represent virtual orders from higher authority, "do-it's" which must be accommodated in the Sponsor Program Proposal. The focus of the remainder of this chapter will describe OP-01's POM-87 development activities in terms of this highly simplified graphic conceptualization.

## 2. SPP Development Guidance

Before embarking on the description of specific POM activities, a brief explanation of the guidance issued internally within OP-01 will amplify the previous discussions of guidance issued by higher levels.

The overall procedural guidance issued by the Director of the General Planning and Programming Division (OP-90) applies to POM activities at all levels of the OPNAV organizations. However, that guidance usually is not overly detailed, thereby allowing Resource (and other) Sponsors to amplify it according to their own circumstances--fact-of-life considerations concerning the nature of their resource lines, the SPP development process used in that Sponsorship, the personal management philosophies of the key decision-makers.

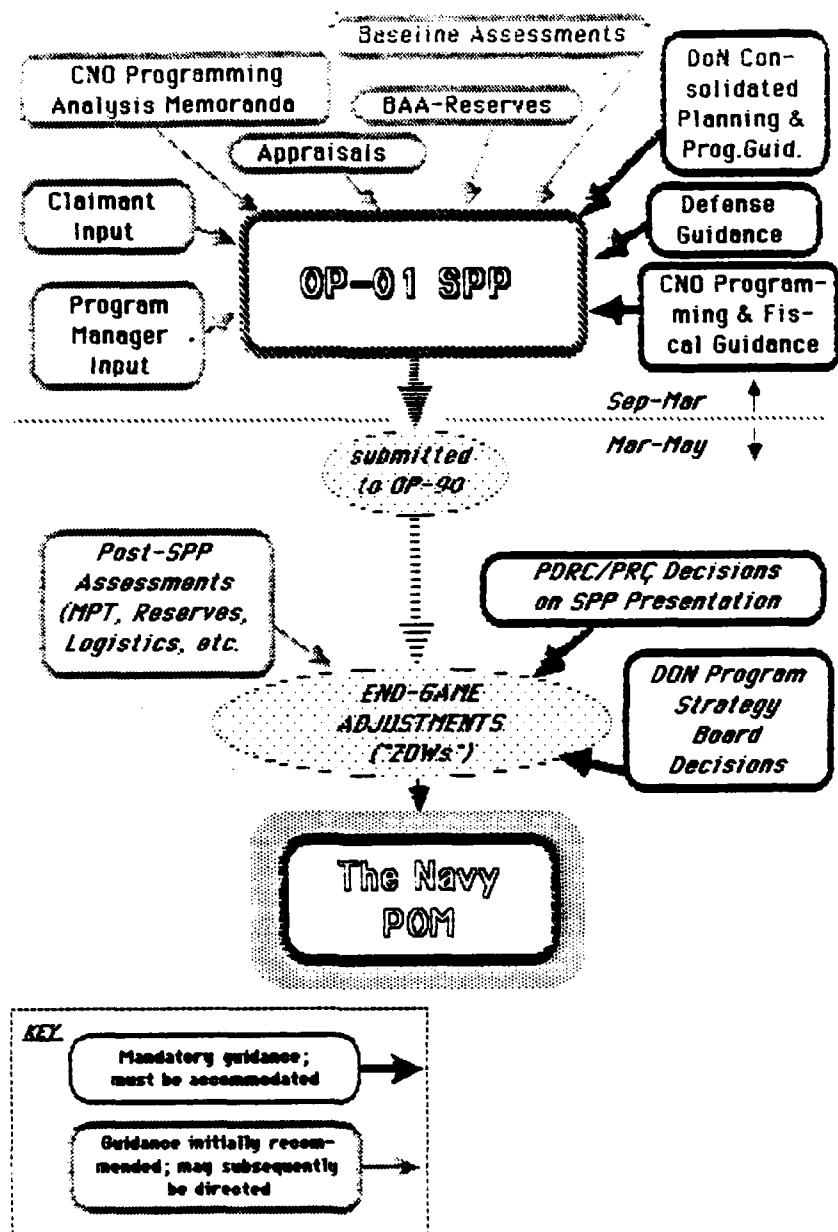


Figure 3-3. How the OP-01 SPP Is Developed

In OP-01, the counterpart to the OP-90 POM Serial is a series of memoranda called POMGRAMS. In parallel with the OPNAV level of organization, the POMGRAMS are issued from the office of OP-01's PPBS pointman, OP-12. Like the POM Serials, POMGRAMS cover a variety of topics, beginning with a general statement of guidance at the onset of each POM cycle (typically, OP-12's POMGRAM XX-1 forwards OP-90's POM Serial XX-1 to parties who will be participants in OP-01 programming-phase activities).

Beginning in the POM-87 cycle, the POMGRAMS were addressed "for action" to the OP-01 Division Directors, the Assistant Deputy (OP-01B), the Special Assistant for Naval Reserve (OP-01R), and the Chief of Chaplains (OP-09G). This distribution list is notable for several reasons: first, all but one of the addressees are in the OP-01 organization; none are major claimants. This represented a departure from previous years, when action distribution included virtually anyone who requested it. The significance of the revised list is that it represents OP-01's Program Manager approach to SPP development: the front line of decision-making would be within the OPNAV organization, by OP-01's "mini-Resource Sponsors." And, with the exception of OP-09G, all addressees were direct subordinates of OP-01; there is no question as to his authority to direct them. Should they disagree with his decisions, the conflict would be unlikely to go beyond the OP-01 organization. Claimants (particularly the Fleet Commanders in Chief) would not be confined by that restriction!

The POMGRAMS were sent for information only to the major claimants with resources in the OP-01 resource base, but specific actions were reserved to the OPNAV addressees. The "invitation" for resource adjustment requests is typically issued by POMGRAM. Formerly, claimants

had been action addressees, invited to submit their requests directly to OP-120. In POM-87, they were information addressees.

However, the text of that particular POMGRAM fails to follow a basic precept of Navy correspondence: to wit, that only "action" addressees are subject to the provisions of a directive--including, in this case, the elicitation of a response. POMGRAM 87-10 discussed "Claimant Input" as though claimants were still able to respond directly. The POMGRAM did warn the claimants that their requests would be "reviewed for possible inclusion in the SPP" by OP-01 Program Managers. It also stipulated that any resource adjustments requiring resources in excess of the existing base must be accompanied by identified offsets for a zero-sum transaction (this was to apply to all submissions, regardless of originator). [Ref. 18: p. 2]

### 3. Some Basics of SPP Development

Although the implied focus for resource adjustment requests was on the Program Managers, rather than the claimants, all inputs were subjected to basically the same treatment. As discussed at some length earlier in this chapter, perhaps the most important innovation of the POM-86 cycle had been creation and assignment of Program Managers within OP-01 to perform as "mini-Resource Sponsors" for OP-01's total resource line. The most important innovation of the POM-87 cycle was the creation of a formal analytical organization within OP-12, to enable analysis of resource adjustment requests that had previously been absent in OP-01SPP development.

Another innovation of the POM-87 cycle was the formal direction for Program Managers to determine some degree of discretion for each of their programs. This was a significant injection of analysis that had previously

been done informally, principally by the two mid-grade officers occupying the old OP-120A billet.

The resource base was to be examined and a determination as to the nature of the programs, with each program to be categorized as falling into one of three types:

- Funding levels established by statutory entitlement or specific OSD policy; these would be considered "must-fund" programs and therefore protected from decrements during SPP development.
- Funding levels resulting from policy issued at the Secretary of the Navy or CNO/VCNO level.
- Funding levels resulting from policy issued at the OP-01 level or below; this level obviously had the greatest discretionary flexibility for resource trade-offs.

The analytical basis for the foregoing categorization scheme revolved on who could make the decision to fund or not fund a particular program. This cast the picture somewhat in terms of "whom we would have to fight" if decrements to a program in the resource base were attempted. [Ref. 19: in full]

The innovations notwithstanding, the development of SPP-87 shared some very basic similarities with prior cycles. First, the requests for additional resources far exceeded the existing OP-01 resource base as of the beginning of SPP development.

The official baseline at the beginning of SPP development is the October update to the Five-Year Defense Program. This revision reflects all changes made in connection with the previous POM cycle, the official submission to OSD of the Navy budget for the first year of that POM, and the Congressional adjustments to the fiscal years under consideration in that realm. Another update is made in January, to reflect decisions made in the

interim, including those emerging from the joint review of the Military Department/Defense Agency budget submissions by OSD and the Office of Management and Budget. This means that the baseline is indeed subject to shifting, requiring SPP developers to maintain flexibility.

The excessive optimism on the part of the various "petitioners" lodging requests against OP-01's resources is but one of several perennial truths about SPP development. Another is the near complete failure of any petitioner to identify offsets from within the area of resources involved in his particular jurisdiction. The guidance that specifically mandates offsets is abundance--not just the annual POM Serials from OP-90 and the POMGRAMS from OP-12, but standing instructions from the CNO himself. The early stages of POM development continuously occur in an atmosphere of hopefulness (and/or political gamesmanship): the prevailing philosophy appears to be, "They can't say 'yes' unless we ask." Everyone asks, attempting to justify his request as being, if not vital to the future operational capability of the Navy, certainly highly enhancing thereof.

Like the majority of resource allocation activities in the public sector, OP-01's SPP development is done under fairly strict resource constraints. The substantial increases to programmed resource levels that occurred in the first year of the Reagan Administration (the POM-83 cycle) left a legacy of outyear resource levels that are far out of synchrony with Congressional action on the budget submissions of Fiscal Year 1983 and subsequent years. If POM-83 might be thought of as Christmas morning for DoD resource managers, the POM cycles following have been in the nature of New Year's morning for many, who have had annual iterations of struggling

to revise POM-83 levels [downward!] to match actual authorization and appropriation levels. Most Navy-Resource Sponsors fall into that category.

Reality notwithstanding, the rank and file of POM petitioners regard each new cycle as a springtime-like period of new growth, bringing increases to the Resource Sponsors' controls--and hence the promise of increases for everyone's programs. Although OP-01 has enjoyed modest annual increases to his FYDP controls (making him the envy of many of his colleagues, who have been forced to absorb numerous annual cutbacks), those increases have been insignificant relative to the volume of resource increases requested by his various petitioners. In many instances, the increases have been more "paper puffery" than real, resulting from revisions to inflation indices or repricing of various appropriations.

In practical terms, this has typically meant that the overwhelming majority of resource adjustment requests receive no serious consideration. The obvious question might emerge: given repeated instances of non-success, why do essentially the same "petitioners" continue to submit their proposed resource adjustments? The answers may be as true within the Navy environment as within any other sector of government (or, for that matter, private enterprise): it makes sense, politically. Resource allocation constitutes a concrete statement of policy. Therefore, resource requesting constitutes a viable political tactic for the savvy manager in any organization.

The political underpinnings of resource decision-making are not, unto themselves, the focus of this discussion.<sup>9</sup> More to the point are questions

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<sup>9</sup>Although a candid study of political gamesmanship within the Navy organization would make fascinating reading, were it possible to compile!

of how, given the magnitude of resource requests received, does OP-01 determine which are valid, and--most importantly!--which he will cover in his Sponsor Program Proposal. The next section of this chapter will attempt to answer those questions by examining what actually occurred in developing the POM-87 SPP.

### C. DEVELOPMENT OF THE POM-87 SPONSOR PROGRAM PROPOSAL

The foregoing sections of this chapter have set the stage for the event of interest: a recounting of what actually occurred in putting together the OP-01 Sponsor Program Proposal during the POM-87 cycle. Albeit important innovations had been instituted that year, many of the perennial attributes of SPP development applied.

In addition, certain events that had not been anticipated, and which were not documented in the formally published memoranda that constitute the principal primary-source history of POM-87 events, had an incalculable<sup>10</sup> impact on the ultimate outcome of POM-86 as it affected the OP-01 resource line. These events will be incorporated in the discussion of the various events involved in SPP development.

The conceptualization of SPP development depicted in Figure 3-3 is the orientation for the following discussion of SPP development events. Figure 3-4 focuses on the events prior to submission of the SPP to OP-90, or, the period between September and March.

To recapitulate that conceptual view of SPP construction, the process is seen as the submission of various "petitions" requesting

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<sup>10</sup>Incalculable to the extent that there is no effective way of assessing what the outcome might have been had those events not transpired.

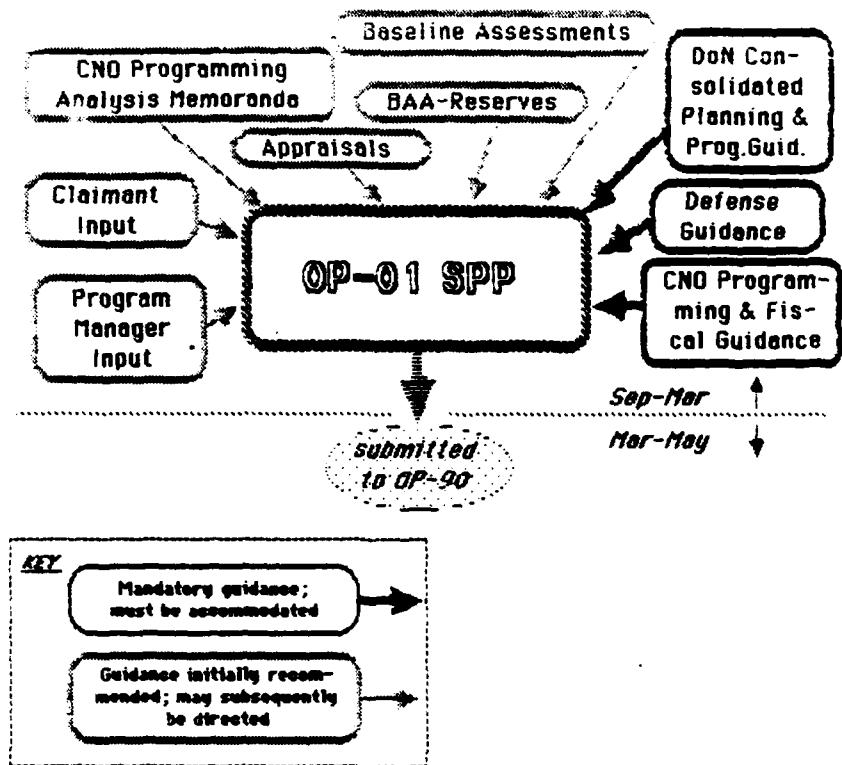


Figure 3-4. How OP-01 Structures His SPP

revisions to the existing array of OP-01's resources (as contained, initially, in the October update to the Five-Year Defense Program; to be adjusted during the course of SPP development by the January FYDP update). Some petitions carry more weight than others, in terms of the force they convey to command compliance.

The period during which these various petitions are received, analyzed, considered, and determined is fairly compressed. Following the schedule laid out by the Navy's central POM coordination office,<sup>11</sup> the POM development phase occupies the months between August through mid-May. SPP development for each Resource Sponsor must be effectively complete by the imposed deadline for submission of his SPP to OP-90--usually the first week in March. The remaining weeks constitute the so-called "end-game," during which the Resource Sponsors are essentially in a response mode; their basic work has been done, and they are primarily concerned with defending their SPP's during the various reviews involved in crafting the consolidated Navy POM from the 14 individual Resource Sponsor "mini-POM's."

One important clue to the general nature of POM development in general has already been introduced: the absolute need for flexibility. The overlapping phases of the DoD Planning, Programming, and Budgeting System, together with vagaries of the Congressional budget process, has created a situation in which decisions are being made concurrently on several different years of Navy resources, with each year the focus of deliberation at different levels. The decisions made on earlier years may

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<sup>11</sup>Refer to Chapter 2, Section B.5

profoundly impact the resource situations of future years. As too many grassroots-level PPBS players may tend to overlook, the year of primary importance to themselves may, in fact, be several years in the future of decisions not yet made.

The nature of PPBS dictates that the first important resource decisions in the programming phase are made three to ten years before their execution--and 24 or more months before Congressional authorization and appropriation determines the final numbers. The OPNAV staff member involved in POM activities lives in a somewhat disoriented world. He or she comes to work in August of 1984 with a perspective oriented to Fiscal Year 1987 and the four years beyond (the period under consideration in POM-87); POM-86 (and all previous cycles) are, thankfully, a drill of the past--even though the fiscal years actually involved are still in the real-time future (August 1984 is still in Fiscal Year 1984--or, to the person whose job may be primarily involved in POM activities, "three POM's ago"). Meanwhile, the real-time uncertainties have yet to be resolved; the final all-important Congressional decisions resources of two fiscal years preceding the POM-87 baseline have yet to be made. Too often, offices primarily involved in the programming phase of PPBS forget that they must function in at least two "realities"--"POM time" versus "real-time." When they overlook that fact, they may tend to forget that what is happening in the real time of Congressional decisions will have a genuine effect on what can happen in POM time. The same applies to POM vis-a-vis the joint OSD/OMB review of the Military Department/Defense Agency budgets prior to finalization of the President's Budget in January.

Another truism of POM development--and hence, of SPP development--is the relatively short period during which the real decisions will be made. Although the formally issued guidance continually professes that the programming phase of PPBS occupies the months between August and September (with an overlap into the budgeting phase), in OP-01, the serious concentration on SPP development does not typically begin until publication of OP-90's first POM Serial. In the POM-87 cycle, this did not occur until the last week of September 1984.

In terms of SPP development, the most important guidance issued by OP-12 is the "data call"--the formal invitation to submit resource adjustment requests. In the POM-87 cycle, this was not published until December 4, 1984. Given the fact that the OP-01 Sponsor Program Proposal was scheduled for submission to OP-90 on March 1, 1985, this left less than three months to:

- Receive all adjustment requests;
- Verify them for accuracy (Were the adjustments in fact applicable to OP-01's resource line and not some other? Were the appropriations requested the "right" appropriations? Were the data labels, such as Program Element Code, accurate?)
- Complete the mechanical chores associated with data processing; and
- Analyze them for validity; weigh them against all other requests as well as programs in the existing base; assess them relative to guidance received from higher levels; and make a final determination as to whether they should be included in the SPP.

In short, a great deal of mechanical and analytic effort is involved in the construction of a major proposal to realign a resource array. When the resource base in question is in excess of \$5 billion and 600 thousand units of manpower, the implicit effort must be considered to be of non-negligible magnitude, to put it mildly! The only conclusion that can be drawn is that

resource decisions are made, of necessity, under an extremely compressed schedule. By further implication, therefore, the number of people who can possibly be effective players is reduced, as is the amount of "analysis."

The quotes surrounding the last term are meant to underscore the enormously subjective connotation of the term. Despite the textbook discussions of PPBS, which might lead the uninitiated to believe that every resource decision emerging from DoD is founded on "objective" and/or "quantitative" analysis, the examination of SPP development in OP-01 unturned no documented procedures for such examination--or of any uniformly applicable standards for such examination. In short, "analysis" is a term very much in the mind of the beholder, so to speak. It is what the person doing it (or receiving it) wants it to be--or has said that it is. The procedures and criteria used against one resource adjustment request may or may not be the same as those used in any other circumstance.

Equally important is the absence of any stated requirement for analysis guiding the development of OP-01's SPP for the POM-86 cycle.

The preceding caveats having been laid forth, the remainder of this section will describe the activities of OP-01's development of SPP-86, in terms of the illustration in Figure 3-4.

#### 1. CNO Programming Analysis Memoranda: The "CPAM's"

The preceding chapter introduced the CPAM, as defined in OP-90's POM Serial 87-1. That document briefly described the CPAM in general as ". . . a fiscally constrained and issue/capabilities oriented overview of the FYDP as reflected in the October update and as modified by OSD/OMB decisions. CPAMs will focus attention on policy and programmatic issues." The first POM Serial of the POM-87 cycle stipulated five separate CPAM's--

Maritime Strategy; Manpower, Personnel, and Training; Readiness and Sustainability; Resources (a general, overview-oriented look at projected Navy resource levels, versus an examination of a broad warfare or support area); and Research, Development and Acquisition. [Ref. 15: p. 3]

The CPAM of obvious interest to the OP-01 Resource Line would be the one involving Manpower, Personnel, and Training matters.

The office assigned primary responsibility for creating the Manpower, Personnel, and Training CPAM was OP-91, the Program Resource Appraisal Division, a subdivision of the OP-090 organization. Interestingly, OP-01 had been assigned lead responsibility for preparing this document, until the POM-85 cycle.<sup>12</sup> Since then, OP-01 has been assigned a consulting role, on an as-required basis.

The real purpose of the CPAM is not revealed in POM Serial 87-1. A subsequent serial offers a better indication: "The CPAMs . . . will provide the analytical basis for CNO decisions on programming resources." [Ref. 20: p. 1]

The depiction in Figure 3-4 indicates that the CPAM's constitute a direct input to OP-01's SPP development. Depending on interpretation, this is not strictly the case. A representation perhaps more reflective of actual events (at least as viewed in retrospect!) would show the CPAM as a direct input into CNO's Programming and Fiscal Guidance (CPFG). As the figure

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<sup>12</sup>At which point, responsibility was voluntarily relinquished by the incumbent OP-12. He informally requested the advice of his staff; their response was that (in effect) the CPAM involved more work on the part of the OP-01 organization than it represented in worthwhile impact on decisions. The author was in the room at the time OP-12 asked the question and received the response; within a day, he had called the incumbent OP-90 to inform him that OP-01 "had no objection" to relinquishing the lead role.

does accurately depict, the latter "petition" constitutes a mandatory "do-it." To be sure, the best way to guarantee that a provision of a CPAM is incorporated in a Resource Sponsor's submission is to have it dictated by CPFG. The CPAM's are typically accorded what has become the exception in POM-development presentations: they are delivered to the CNO Executive Board.<sup>13</sup> This direct (and formal) communication to the CNO and his corporate review board might enhance the the chances of particular CPAM recommendations being included in CPFG.

However, since that particular collection of "do-it's" is typically not published until a few weeks (or, not infrequently, a few days) prior to the date SPP's are due in OP-90, the CPAM may be realistically portrayed as a recommended adjustment to OP-01's SPP. Resource Sponsors receive copies of the CPAM's as they are presented to the CNO; thus, there should be no surprises should any provisions appear in the CPFG.

The Manpower, Personnel, and Training CPAM was delivered to the CNO Executive Board in December 1984. As is typical of the genre, this particular CPAM dealt with issues from a fairly broad vantage. That is, the Navy's manpower, personnel, and training needs were seen in terms of Navywide requirements, rather than in terms of the implications for specific Resource Sponsors. However, two of the issues addressed in the POM-86 CPAM applied directly to the OP-01 Resource Sponsorship: recruiting and Reserve bonuses. Because OP-01 is the sole owner of all resources associated with recruiting active-force personnel, any discussion of the Navy's overall recruiting needs would obviously imply action by one

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<sup>13</sup> Refer to the discussion in Chapter 2, Section B.4.

Resource Sponsor. By the same token, OP-01 was designated responsible for a collection of bonus payments aimed toward attracting and retaining non-active-duty Reservists (the drilling and otherwise mobilizable members of the Naval Reserve). Thus, the CPAM provided early (and accurate) warning of what was to come with the publication of CPFG two months later: what CNO heard in December convinced him to write it into the formal guidance he issues in February.

This brings up a salient point. What convinces the CNO to incorporate a given item in CPFG? Or, as the case may (more often!) be, not to include it? The real knowledge of the basis for that admiral's various decisions is limited to a select few. Some obvious clues present themselves, however. For instance, if the Secretary of the Navy has professed strong endorsement of particular programs, it would not be unexpected for the CNO to lend his formal support, as well.<sup>14</sup>

An actual example might illustrate the point. An abiding interest of the incumbent Secretary of the Navy has been an expansion of the role accorded to the Navy's Reserve Component. His interest has been accompanied by considerable attention and support from various Congressional personages and committees. It was, therefore, far from unexpected to anticipate that the CNO's Executive Board would be a receptive audience to Reserve-related issues--and to see specific guidance

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<sup>14</sup>No published study has been conducted in this regard; it would indeed be interesting to examine the various routes to CPFG inclusion (and hence accommodation in the Navy POM) in terms of which avenues have proven to be the best bets. Informally exchanged knowledge may well have satisfied this informational gap, but such knowledge is not certainly not documented!

on Reserve-related issues appear in CNO's formal guidance to his Resource Sponsors.

The final OP-01 SPP did not fail to consider the pertinent recommendations emerging from the CPAM. Although full funding of neither issue was included in the initial OP-01 SPP submission (the Reserve bonus payments were contingent on legislative approval, and, according to DoD policy, not specifically covered in either POM or budget), both issues were given specific attention in SPP development and in the final briefing of the SPP to the various review groups. The recruiting enhancement was included as an "overguidance" item, indicating that OP-01 considered it to be valid but "unaffordable" (that is, not of critical enough need to displace other obligations). The "overguidance" technique is very often used as a tactic to convince higher authority--usually beginning with OP-90--to increase previously issued control ceilings; sometimes it works, sometimes not--in the latter case, the Resource Sponsor will simply be directed to revisit his original SPP to accommodate the incremental requirements from within his previous controls.

## 2. Warfare Appraisals

Like the CPAM's, the appraisals are intended to provide an analytical basis for CNO's programming and fiscal guidance to his Resource Sponsors. Similarly, Figure 3-4 might offer a more realistic interpretation by showing appraisals as feeding into the SPP via CPFG, rather than directly.

However, for the same reason offered for the CPAM's--the timing of the CPFG relative to the SPP submission deadline--appraisals are considered as a source of direct input during the period they are being

presented to the various review groups (typically all have been delivered prior to Christmas).

The issue was academic for development of the OP-01 SPP during the POM-87 cycle, however; none of the nine warfare appraisals included issues involving OP-01 resources.

### 3. Baseline Area Appraisal--Reserves

During the 1980's, considerable interest in the use of DoD's Reserve assets has emanated from various levels. As mentioned above, the Secretary of the Navy has indicated a strong inclination to increase resources dedicated to the Navy's Reserve component; similar sentiments have emerged from various Congressional committees (particularly during annual appropriations deliberations).

Reflective of such highly placed interest, the area selected for in-depth investigation during the POM-87 cycle was the Naval Reserve. The intention of the Baseline Area Appraisal was to examine the Reserve comprehensively, instead of the typical marginal look accorded to most resource adjustments during POM development.<sup>15</sup> The Baseline Area Appraisal was prepared by the Director of Naval Reserve (OP-09R), the Assessment Sponsor for Reserve matters.

Because the OP-01 resource line includes several programs with direct Reserve involvement, it was to be anticipated that the Baseline Area Appraisal would produce several resource adjustment recommendations for the OP-01 SPP. The expectation failed to materialize; the appraisal

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<sup>15</sup>In other years, OP-09R prepared a Baseline Assessment Memorandum, discussed below.

included no issues for OP-01. The appraisal will be discussed in more detail in the following chapter, which deals with the Assessment Sponsor role.

#### 4. Baseline Assessments

Unlike the CPAM's and appraisals, the Baseline Assessments are not formally presented to the CNO or to any of the review groups during POM development. They are written documents, forwarded directly to the appropriate Resource Sponsors (arriving in late November). The intended purpose of the Baseline Assessment Memoranda (the "BAM's") is cited in OP-90's POM Serial 87-9:

Assessments provide resource sponsors with rational baseline costs for realistically projected force levels and inform them of support needs, both in general and for particular programs. . . . Data developed for these assessments are also input to the CNO Program Analysis Memoranda series, and directly influence the construction of CNO Program and Fiscal Guidance." [Ref. 21: p. 1]

The specific issues to be covered in each of the six BAM's prepared during the POM-87 cycle were determined by the Assessment Sponsors responsible for preparing the BAM's. That is, the assessors themselves decided which issues they would look at.

OP-01, as Resource Sponsor, received recommended resource adjustments from four of the six BAM's:

- Manpower, Personnel, and Training: four issues (simulator operations and maintenance, technical training equipment, recreation hours and user fees at OP-01 bases, and increased funding for operations and furnishings at Bachelor Officer and Bachelor Enlisted Quarters at OP-01 bases).
- Ship Maintenance and Modernization: one issue (reduce funding for General Purpose Electronic Test Equipment).
- Logistics: one issue (substantial increase in Family Housing construction).

- Information Systems and Base Communications: two issues (increases in funding for management information systems and base communications at OP-01 bases)

The initial OP-01 SPP submission complied with four of the eight individual BAM issues. The SPP partially covered some of the most expensive issue, the Family Housing increases, placing the remainder in "overguidance." As subsequent discussions of post-SPP deliberations will reveal, the "overguidance" tactic produced results in this case.

The Manpower, Personnel, and Training BAM originated within the OP-01 organization, under OP-01's role as Assessment Sponsor (the BAM was coordinated by the same section in OP-120 responsible for assembling the OP-01 SPP). This is among the most clear-cut instances of OP-01's dual responsibilities as they pertain to POM development. Three of the four issues in the OP-01 BAM were incorporated in the OP-01 SPP.

##### 5. Program Manager Input

Following the premise that the OP-01 "Program Managers" should take the leading role in making initial SPP development decisions, the Division Directors; the Assistant DCNO, OP-01B; the Special Assistant for Naval Reserve, OP-01R; and the Chief of Chaplains, OP-09G<sup>16</sup> became in essence "mini-Resource Sponsors," each owning his own programs in the OP-01 resource line and the resources to support them. These individuals were given a much greater role in the development of POM-87 than they had previously experienced.

Like their counterparts at the real Resource Sponsor level, the OP-01 Division Directors were expected to remain within their stated

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<sup>16</sup>For convenience, this group will be referred simply as "the OP-01 Division Directors."

constraints, and to bear the responsibility for covering resource requirements from within their own jurisdictions. That is, OP-11, the "owner" of the "General Skill Training (C/F Schools)" program, would not be allowed to fund increases to that program from programs owned by OP-13, OP-14, OP-01R, etc. OP-11 implicitly has considerable latitude in making adjustments from among his own programs, however. Thus, if he genuinely believes that significant increases are demanded in General Skill Training, he can channel the dollars and/or manpower from his "Officer Acquisition," "Navy Junior Reserve Officer Training Corps," "Recruit Training," or other programs. Of course, he must ensure that he is still able to cover the necessary functional requirements of all his assigned programs (an important part of which responsibility is ensuring that the programs remain executable by the claimants).

The Division Directors, like their Resource Sponsor counterparts at the higher level, were also given only an overall fiscal constraint, with no limitations imposed on specific appropriations.<sup>17</sup> That is, if OP-11 might wish to add Operations and Maintenance dollars to a particular program, he could offset the increment with Other Procurement, Navy, dollars, so long as the latter are within his own jurisdiction. [Ref. 18: p. 2]

This flexibility does not extend to the various types of manpower, however. Since the manpower categories are authorized separately by Congress, the distinction is maintained throughout consideration at all levels. That is, separate controls are issued for each type: active-duty officers (non-Reserve), active-duty enlisted (non-Reserve), Naval Academy

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<sup>17</sup> A list of Navy appropriations appears in Figure 2-5.

midshipmen, active-duty Reserve officers, active-duty Reserve enlisted, and "Selected Reserve" officers and enlisted.<sup>18</sup> For example, active-duty officers (non-Reserve) may be traded off only among their own type and not for any other type of military manpower, or civilian. Although civilians are no longer authorized in specific numbers by Congress, the Department of Defense policy imposed a control on the numbers of civilian billets during development of POM-87.

The Program Managers were also given the responsibility for determining the level of discretion associated with the resources for each program. Some programs represent a "cost of doing business," so to speak, and are thus not subject to discretionary adjustment at the Program Manager level. For example, OP-11 "owns" recruit training. The resources in that "ownership" include the physical facilities at Recruit Training bases; the Operations and Maintenance dollars to pay for running those facilities (including the salaries of the civilian employees); the military manpower billets for the staff, the instructors, and even for the recruits themselves; and the Military Personnel, Navy, and Reserve Personnel, Navy, dollars to compensate that manpower. The level of operations at Recruit Training installations is largely a function of the number of recruits to be trained each year. OP-11 does not himself make that determination; in effect, he must respond resource-wise to policy decisions made beyond his control.

In other instances, he may have less or more control over his programs. This is almost a case-by-case situation, however, and the resulting challenge in program and resource balancing is one of the most

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<sup>18</sup> These are the non-active-duty Reservists, the "weekend warriors" in drilling units or otherwise in mobilizable status.

important aspects of SPP development at every level (and, subsequently, of final POM development after the individual SPPs are submitted to OP-90).

The major point to be made about the role played by Program Manager's in the development of OP-01's SPP during the POM-87 cycle is that they were considered the front-line of resource decision-making. In this respect, they in many cases displaced previously established relationships linking claimants directly to OP-12 and his staff.

An important symbolic change underscored this shift in the POM-87 cycle. Perhaps one of the most effective techniques employed during previous OP-01 SPP development cycles was something called the "sales pitch." The "sales pitches" were informal face-to-face sessions between various "petitioners" and OP-12, convened after the initial submission of resource adjustment request and before serious final development. The "pitcher" was usually of comparable rank to the rear admiral OP-12 incumbent; each officer was accompanied by a few staff members, to maximize the informality of the atmosphere. In such surroundings, resource requesters could conceivably exert greater influence on OP-12 (and his staff) that might be conveyed in the abstracted paper forms that constituted the "formal" input.

Routine sales-pitch presenters of earlier POM cycles included the Commander of the Naval Military Personnel Command and his subclaimant, the Commander of the Naval Recruiting Command. In POM-87, sales pitches were restricted to Program Managers. CNMPC and CNRC were not invited, leaving them to prosecute their case via their respective OP-01 Program Managers.

## 6. Claimant Input

The OP-90 POM guidance provided for an additional medium for claimants to register their requests: the Claimant Input introduced in the preceding chapter. The Claimant Input via OP-90 allowed a claimant to "go public" with his request, thereby enhancing his ability to give his issues visibility if not guaranteeing their favorable resolution. Resource Sponsors were required to publicly acknowledge the receipt of a claimant request sent in this manner, and to relate the ultimate disposition of the request--including justification for denial. Two important limitations applied to claimant input sent via this route: claimants were limited to five issues per Resource Sponsor (with priority specified), and they were required to identify offsets for any requests involving resources above the FYDP level.

Claimants with resources in the OP-01 line thus had two avenues to make their requests: directly and indirectly. The latter method can be seen as having some advantage if the claimant and Resource Sponsor do not enjoy a close rapport, in that the OP-90 "Honest Broker" will be made a player in the transaction. However, the "broker" title is misapplied in this particular case, because OP-90 typically made no referee-type decisions in claimant/Resource Sponsor disputes (at least not openly).<sup>19</sup>

On the other hand, submission via OP-90 might be seen as jeopardizing a good claimant/Resource Sponsor relationship. In effect, the claimant is almost putting the Resource Sponsor on report by going out of house with his requests. At least one important OP-01 claimant perceived the situation in this light for several years. The Commander of the Naval

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<sup>19</sup>OP-90 staff did occasionally arbitrate disputes over which Resource Sponsor had responsibility for a particular initiative.

Military Personnel Command, one of the three claimancies involving the lion's share of OP-01 resources, traditionally opted to forego Claimant Input via OP-90. His rationale was that since he directly reported to OP-01 (in the latter's role as Chief of Naval Personnel; refer to Figure 3-1), there was no need to put his dealings with his own boss into external limelight. The previously close relationship between the action-officer level POM participants in NMPC and OP-120 may have been a factor, as well.

Does the decision to file Claimant Input via OP-90 materially affect the outcome of a claimant's request? No conclusive evidence has been gathered to indicate that it either helps the claimant's cause or hurts it. In the OP-01 SPP development experience, claimant requests were typically judged on their own merits or--most often!--on the basis of affordability. The constraints imposed on the resource levels precluded virtually all but mandatory resource increases. Should a claimant offer offsets from within his own jurisdiction (that is, in effect merely ask for a reprogramming of existing resources), OP-01 had typically allowed it with little or no discussion.

The stated "mandatory offset" requirement in both OP-90 and OP-01 guidance for resource adjustments involving resources above the existing FYDP levels undoubtedly stands as the most ignored direction in POM development. Most claimants disregarded the edict on the basis that what they were requesting was as absolutely vital as everything else in their existing program bases. Claimants are not alone in this ploy.

The number of POM-87 resource adjustment requests claimants sent directly to OP-01 is not known. The final submission into the computerized format used for the SPP development data base lists only the actual

submitter; many requests originated in a claimancy bear the codes of the OP-01 Program Manager who reviewed them.

Six claimants routed input via OP-90. The requests of three of them--the Fleet Commanders in Chief--followed a typical pattern: military manpower was the principal resource requested, to increment existing levels at PASS (the Navywide Personnel Administration Support System) offices. PASS military manpower had been reduced during the previous year's POM development, in response to a general reduction in military manpower. The Fleet CINC's lost their bid to recoup those losses in POM-87.

Other issues from the Fleet CINC's involving civilian manpower increases were also rejected. One issue sent to OP-01 demonstrates an advantage of the OP-90 Claimant Input option: ascertaining the right Resource Sponsor "ownership" of a given initiative. The Commander in Chief of the Pacific Fleet wanted OP-01 to provide manpower to support the Naval Wargaming System. OP-01 respectfully declined, on the proper basis that the Wargaming System "belonged" to another Resource Sponsor.

Notably, the OP-90 guidance specifies that non-ownership is not, unto itself, a defensible grounds for rejecting claimant requests. The formal procedures governing Claimant Input via OP-90 clearly state that potential disputes over ownership are to be resolved prior to submission of SPP's. Since the Claimant Input is due in OP-90 by the end of November, there is adequate time to identify such discrepancies.

The other three claimants filing Claimant Input via OP-90 represent all but one of the major claimancies supported by OP-01 resources. The exception was the Commander of the Naval Military Personnel Command (CNMPC), who chose to remain in-house with his SPP requests.

If CNMPC constitutes one of OP-01's three most important claimancies, the other two would be CNO (OP-09BF) and the Chief of Naval Education and Training (CNET). Each of these two filed input via OP-90, as did the Commander of Naval Reserve Forces (COMNAVRESFOR).

The CNO claimancy (OP-09BF) has in its jurisdictions three highly visible institutions: the Naval War College, the Naval Postgraduate School, and the Naval Academy. As a rule, OP-09BF includes something for each in the "top-five" issues allowed by OP-90. In POM-87, the Naval Postgraduate School requested increments of about \$2 million for each year of the 5-year POM period, to upgrade outdated laboratory facilities at the school. The issue was submitted as the CNO claimancy's No. 1 priority. Acknowledging the validity of the request (and the fact that it had been supported by the Vice Chief of Naval Operations), OP-01 placed the request in "overguidance." The same tactic was employed for the No. 3 issue, which requested \$10 million in Fiscal Year 1987 to upgrade computer facilities at the Naval Academy. The CNO No. 2 and No. 4 issues involved considerably lesser amounts and hence were accommodated ("ADP/Security Support" at the Postgraduate School and a small expansion of the Naval War College's Off-Campus program in Washington, DC. Only the No. 5 issue (additional civilian manpower at the Consolidated Civilian Personnel Office in Washington) was totally rejected, on the grounds that it was not justified on cost-effectiveness or readiness improvement.

The foregoing details of how OP-01 responded to some of the Claimant Input via OP-90 illustrate the general method OP-used with all submissions. If the issue involved a high dollar amount with high visibility,

it was placed in "overguidance." If relatively minor resource levels were involved, an effort was made to accommodate the request.

It bears reiterating that the treatment of Claimant Input cycled via OP-90 was a mandatory item to be addressed in the formal presentation of SPP's to the Program Development Review and Program Review Committees. On paper, OP-01 came across very favorably.

It is also notable that each Resource Sponsor must respond directly to the claimants who submit input via this route (since claimants are not represented in the Navy Department POM review groups). In short, Claimant Input has received considerable procedural attention from OP-90 in recent cycles. This should not be construed to mean that claimants now enjoy a more effective role in POM development, but they certainly can avail themselves of a more visible one.

7. Department of the Navy Consolidated Planning and Programming Guidance.

The six types of "petitions" just described represent, initially, recommendations rather than mandatory guidance.<sup>20</sup> They are submitted (and/or presented) during the early stage of POM development, the "program planning" period between August and January. In POM-87, the first formal guidance of a truly mandatory nature was the DoN Consolidated Planning and Programming Guidance (DNCPPG). Originally scheduled for publication in

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<sup>20</sup>To be sure, sometimes a resource adjustment request supports a verifiable "cost-of-doing" business or other so-called "fact-of-life" adjustment. However, the petitioners filing such requests are not, initially, in a position to command compliance. In the event that the Resource Sponsor would fail to cover a genuine fact-of-life adjustment, the petitioner can try to persuade higher authority to direct accommodation. One obvious ploy is to get the issue into the CNO's Program and Fiscal Guidance.

October, the DNCPPG represented a consolidated version of what had been in previous cycles two guidance documents--one issued by the CNO and the other issued by the Secretary of the Navy.

The actual publication of DNCPPG did not occur until Christmas Eve. Signed personally by the secretary of the Navy, DNCPPG was classified SECRET, thereby precluding specific discussion of its contents. It is sufficient for this discussion to note that it was broad in its guidance, viewing the Navy in macro rather than in terms of specific Resource Sponsor obligations.

Although DNCPPG did not impose fiscal controls, one important bit of guidance was pertinent for every Resource Sponsor as he entered the final stage of SPP development: active-duty manpower (non-Reserve) was not to exceed the existing FYDP levels. In short, no additional manpower would be forthcoming, and any Resource Sponsor wishing to add active-duty manpower to his programs would have to offset the increments from within his existing base--or convince higher authority to raise his control (at the expense of another Resource Sponsor).

#### 8. Defense Guidance

The prevailing programmatic guidance issued at the Department of the Navy level is parallel to its counterpart emanating from the Office of the Secretary of Defense, in that both deal in broad terms, addressing most of their specific direction no further than one hierarchical level downward. That is, the DNCPPG was directed primarily at the two Service Chiefs who report to the Secretary of the Navy. Similarly, Defense Guidance is aimed primarily at the Secretaries of the Military Departments and the Directors of the Defense Agencies.

The significance to lower occupants in the DoD POM development structure is that neither document will usually address a specific programmatic action.<sup>21</sup> Thus, Defense Guidance will provide an individual Resource Sponsors with an idea of the general direction that POM development will take (in the latter 1980's, the direction has been a reversal of the more expansive controls of the first Reagan Administration). However, the individual Resource Sponsor can rarely expect specific programmatic actions. The real significance of Defense Guidance to him is the impact it may have on the development of the Navy POM overall. For example, if Defense Guidance limits the Military Department to existing levels in either manpower or fiscal resources, the message to the Resource Sponsor should be obvious.

This was the case for OP-01 during the POM-87 cycle, with regard to Defense Guidance.<sup>22</sup> Not only was the guidance it contained directed at least two levels above the individual Resource Sponsor level, it was not published until April--well after the submission of the OP-01 SPP to OP-90.

Nonetheless, the representation depicted in Figure 3-4 remains valid: Defense Guidance, like Department of the Navy Consolidated Planning and Programming Guidance, constitutes mandatory direction to lower levels. The individual Sponsors must follow the broad guidance that may apply; in

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<sup>21</sup>An exception to this might be specific guidance to add a particular weapon system or type of weapon system. The Navy's Resource Sponsorship arrangement has made the assignment of resources on this broad a scale fairly clear cut.

<sup>22</sup>Like its Department of the Navy counterpart, Defense Guidance carries a security classification of SECRET, precluding specific discussion of its content.

the unusual (for OP-01) instance that specific guidance is included, there is no question as to to compliance.<sup>23</sup>

#### 9. CNO's Program and Fiscal Guidance

If the Defense Guidance and DoN Consolidated Planning and Program Guidance represent too broad a scope to be of specific use in constructing an individual SPP, that gap is certainly more than filled by CNO's instructions to his Resource Sponsors. Scheduled for publication mid-February, CNO's Programming and Fiscal Guidance constitutes the most detailed list of concrete instructions for the final stages of SPP development in the 14 Resource Sponsorships.

Some of the inputs designed to influence the content of CPFG have already been described--specifically, the CNO Programming Analysis Memoranda (CPAM's), the warfare appraisals, and the Baseline Area Appraisals. Another mode not yet discussed is the Program Issues Summary. Presented in early January, the Program Issues Summary compiles the "top-five" priorities submitted by each Resource Sponsor; this is the formal opportunity for the Resource Sponsors to unveil their own concerns--and to let their peers know what they're doing in SPP development.

Significantly, OP-01 typically used his Program Issues Summary input to advance his concerns both as Resource and his Assessment Sponsor.

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<sup>23</sup>Defense Guidance issued during the POM-85 cycle did include a small-scale item that constituted specific guidance for the OP-01 SPP, in the form of direction to augment funding to the Defense Activities Non-Traditional Education Services program. This joint program assigned to the the Navy as Executive Agent (and to OP-01 as Resource Sponsor). That event was the exception, rather than the rule of Defense Guidance vis-a-vis individual Resource Sponsors, however.

Given the fact that there are fourteen Resource Sponsorships, and that each was allotted five issues, it is improbable for a Sponsor to hope that all--or even most--of his parochial interests would be incorporated in the CPFG. Nonetheless, Resource Sponsors do respond. The value may be as much in publicizing their own problems as in trying to persuade specific direction from the CNO. In many instances, response to the Program Issues Summary may constitute one more tactic in a canny Resource Sponsor's strategy to secure a favored position during the all important decision-making finale of POM development, the "end game" after SPP's are submitted to OP-90.

Earlier discussions of the CPAM's introduced the conjecture concerning how the CNO decides what the content of CPFG should be. It would not be understating the fact to say that CPFG constitutes the guidance most awaited by Resource Sponsors--it is without doubt the most detailed and the most concrete programming direction they will have received at that point in the cycle. It bears repeating that the Resource Sponsors are all direct subordinates of the CNO. That is to say, they are unlikely to overtly defy what amounts to a direct order from the boss.<sup>24</sup>

CPFG is a highly visible document. That is, not only has each Resource Sponsor probably received specific direction from the CNO, all other major POM players are aware of that direction. Each Resource Sponsor must account for CPFG "do-it's" when presenting his SPP. Failure to comply

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<sup>24</sup>At least not publicly; no public record is available of face-to-face disagreements that may transpire between the CNO and the Vice Admirals who are his Deputies and the Directors of his Major Staff Offices.

can only be considered acceptable under the most extenuating of circumstances--and when supported with convincing justification.

Seen in another light, the CPFG offers the risk-taking (and/or politically astute) Resource Sponsor another potential tool for increasing his resource controls. If he can muster the confidence to publicly admit non-compliance and successfully defend his decision, he may well benefit. The expression "going for broke" seems to apply. Should he lose his gamble, he will not only be in the position of having to absorb whatever incremental funding obligations for which he was probably trying to seek relief, his loss will have occurred before his peers--and, in effect, the entire OPNAV organization.

CPFG for POM-87 included numerous items of specific guidance for the final development of the OP-01 SPP, gleaned from a variety of inputs. In his SPP presentation, OP-01 categorized nine CPFG items as "key direction/guidelines." [Ref. 22]

Some of these directives overlapped with issues received via other avenues. For example, the Manpower, Personnel, and Training CPAM item concerning bonus payments for Naval Reservists successfully transitioned into CNO's formal guidance document. The same was true of the direction concerning increased funding for recruiting and advertising.

Other CPFG instructions had not previously surfaced in the formal appraisal/CPAM process. Reconstruction of the events of POM-87 cycle over a year later did not readily reveal the documented origins of all OP-01's CPFG "do-it's."

Of greater significance than the origin of specific guidance items is how OP-01 responded.

Interestingly, he opted to play the risk-taker role on some directives--specifically, the direction to increment resources supporting recruiting and advertising. In the judgment of OP-01, a program meeting the guidance of the CNO would require additional military manpower--which was not accommodated in his SPP save as "overguidance."

In terms of resource controls, CPFG numbers represented modest increases in every category. For example, fiscal resources for Fiscal Year 1987 were increased from \$5.227 billion to \$5.265. Although the increase may seem almost negligible, given the fact that POM-86 and POM-87 had each been "decrement" POM's (that is, producing net reductions to previously approved baseline levels, as documented in the FYDP), the fact of the increase may more important than the amount. One conclusion is that it testifies to OP-01's skills (and those of his staff) in resource gamesmanship.

Similar increments were accorded to every manpower category. For the Navy at large, with the exception of Reserve manpower, POM-87 represented a non-growth iteration, relative to previously approved levels. One will recall the provision of Defense Guidance that held the Military Departments to FYDP levels with regard to manpower.

In only one category did OP-01's SPP exceed the CPFG control: the full-time active-duty Reservists.<sup>25</sup> The increase was to support a resource request received from the Commander of the Naval Reserve Forces claimancy. Given the highly receptive atmosphere for expansion of Reserve capabilities that characterized Defense resource allocation during the

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<sup>25</sup>Officially designated as "TAR's," an acronym for "Training and Administration, Reserves."

1980's, and the support Reserve initiatives enjoyed at the SECNAV level, OP-01's single instance of defying a CPFG manpower control may have been a political tactic. To be sure, later in his SPP presentation, he was able to assert that a "Claimant Issue" had been properly covered.

The foregoing represent only some of the significant resource adjustments included in OP-01's POM-87 SPP. The intent of the discussion in this section was to give an idea of the forces contributing to SPP development. Although many (arguable, most) of the real resource decisions occur before the SPP is forwarded upward, to be consolidated into the "Navy POM," the period between the March submission date and the deadline for submitting the Navy POM to OSD represents another important series of milestones for each Resource Sponsor. The last section of this chapter will explore what transpired during the "end-game" of the POM-87 cycle, with emphasis on how events affected the OP-01 Resource Sponsorship.

#### D. POM-87 "END-GAME": WHAT HAPPENED TO THE OP-01 SPP

The "end-game" is that two and one-half months between the early March submission of individual Resource Sponsor Program Proposals to OP-90 and the mid-May submission of the consolidated Department of the Navy POM to OSD. According to the formally prescribed process, events would follow the conceptualized portrayal in Figure 3-5.

In theory, the 14 individual SPP's are collected by OP-90 and experimentally applied them against the existing FYDP data base to give high-level managers an idea of what the SPP's would do to the overall Navy resource line. Concurrently, the SPP's are presented orally, first to the two-star flag-officer-level Program Decision Review Committee (chaired

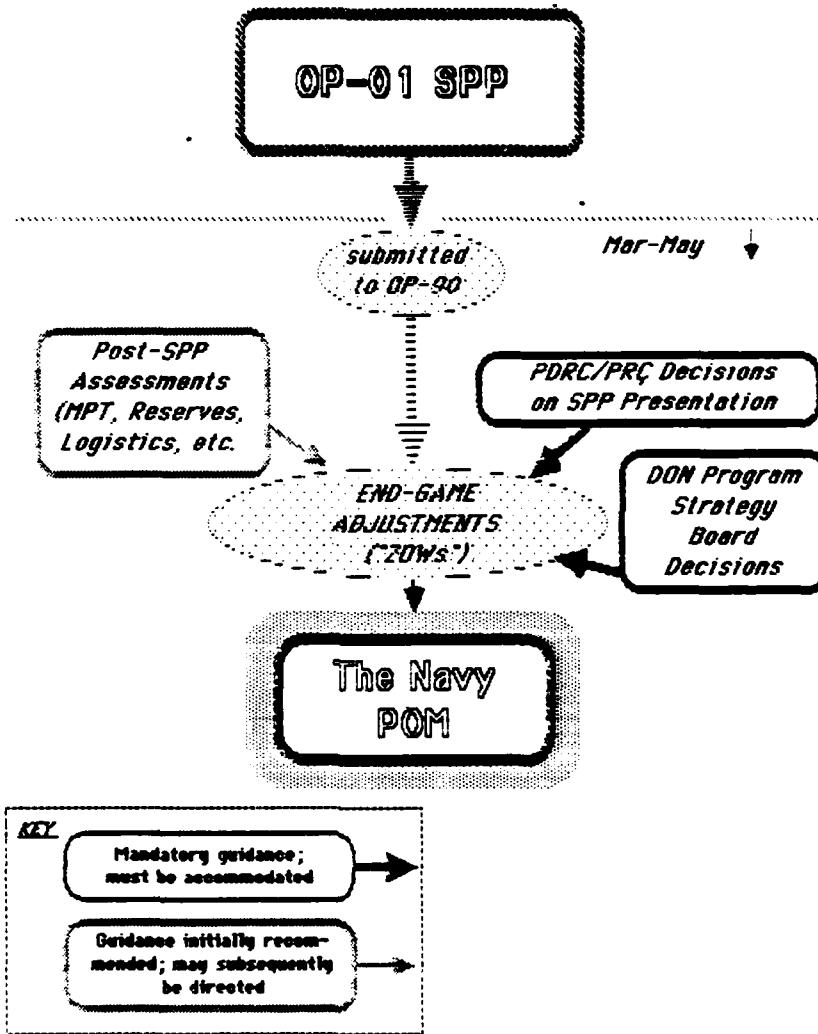


Figure 3-5. The "End-Game" Process

by OP-90), then to the three-star-level Program Review Committee (chaired by OP-90's boss, OP-090).

Meanwhile, the Assessment Sponsors are also reviewing the individual SPP's for compliance with the recommendations in the Baseline Assessment Memoranda and other items deemed important to a particular assessment area. The stated purpose of the Post-SPP Assessments was laid forth in initial POM guidance issued by OP-90:

These assessments will analyze the degree to which POM funding meets the CPFG and achieves the required balance between and among each of the elements necessary for overall POM-87 balance. [Ref. 15: p. 10]

The results of those reviews used to be presented to the PDRC and PRC groups; in the POM-87 cycle, the decision was made to produce the Post-SPP Assessments as written documents, forwarded directly to the Resource Sponsors. [Ref. 23: in full]

In prescribed practice, the outcomes of the SPP presentations and Post-SPP Assessments are a series of revisions directed toward each SPP. The document via which change is directed has traditionally been the "ZOW" memorandum introduced in Chapter 2. Typically signed by OP-90 (or, in certain circumstances, OP-090), the "ZOW" constituted a non-negotiable directive to the Resource Sponsor. It represented, in most cases, the final imprimature of the CNO on the Resource Sponsor's POM adjustments to the FYDP. The final result of the ZOW process was a consolidated Navy POM, in balance with regard to program priorities and within prescribed controls. The 14 Resource Sponsor "mini-POM's were thus consolidated into the Navy POM, a product which the CNO could endorse as his own.

The remaining hurdle within the Navy Department would be the Office of the Secretary of the Navy--as embodied in the Secretary's corporate review body, the DoN Program Strategy Board.<sup>26</sup>

However, the experience of the 1980's had created a pattern of sorts, in which the documented procedures prescribed for any Navy POM cycle were typically derailed at some point during the final development stage. A prevailing theme was the personal injection of the Secretary himself into the process--occurring earlier in the "end-game" every year since his assuming office in 1981 (that is, during finalization of POM-83). In his first year in office, the new Secretary of the Navy held back until April before taking the dominant role in final POM balancing decisions. He took that initiative a bit earlier in the cycle in each succeeding year (by POM-86, the routine whereby each Resource Sponsor would orally present his SPP before a predictable pair of review groups--the PDRC, followed by the PRC--was interrupted midway through the roster of Resource Sponsors; that year, only half of the SPP's followed the prescribed journey through the formal review process).

During the development of POM-87 an event took place that differed from any that had shaped previous POM cycles. In February, the person occupying the OP-90 billet died.<sup>27</sup> Although hospitalized for a serious illness the previous year, he had resumed his duties as OP-90, presumably with every expectation of completing the cycle. His death created a

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<sup>26</sup>Refer to Chapter 2 (Section B.4.d.) for a description of the DPSB.

<sup>27</sup>Charles O. Prindle (Rear Admiral, United States Navy); he had been in the OP-90 billet for about two years at the time of his death. During the previous year, he had experienced severe health problems (including major surgery), which he had presumably overcome to resume his duties full-time.

situation never discussed in the formal guidance routinely issued during the annual POM cycles.

Coming at the height of POM development activity in the Navy, the sudden vacancy in the job having primary responsibility for coordinating the final POM product resulted in significant departures from the procedures as prescribed for the POM-87 cycle. For one thing, a replacement had to be instated, and quickly, if OSD's deadline for POM submission was to be met. In a move that in retrospect seems based on the logic of related experience coupled with geographic proximity, the flag officer occupying the billet of OP-60 was tagged to carry out OP-90 responsibilities during the remaining weeks of "end-game," to bring the Navy POM to fruition. That individual was subsequently ordered to serve as the Director of the Office of Program Appraisal.<sup>28</sup>

In practical terms, this situation created several departures from the schedule of events previously laid out for post-SPP activity. As one revision, the SPP's were no longer scheduled for presentation to both PDRC and PRC groups. Instead, the DoN Program Strategy Review Board assumed the complete lead in final POM balancing and decision-making. The "ZOW" process was halted after only a few issuances, to be pre-empted by memoranda issued from the DPSB sessions.

Instead of reviewing Resource Sponsor Program Proposals on an individual basis, followed by the assessments of those proposals by the designated Assessment Sponsors<sup>29</sup>, the DPSB reviewed the Navy POM in

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<sup>28</sup>Refer to Chapter 2 for a description of this office and its significance.

<sup>29</sup>That is, following the pattern of previous "end-game" phases.

terms of five broadly based task areas. [Ref. 24: in full]. A schedule of six presentations was issued on March 6, with the first five sessions covering the areas defined as "Air Warfare/Electronic Warfare"; "Surface Warfare/Medical"; "Research, Development, Test, and Evaluation/Command, Control, and Communications" and "Manpower, Personnel and Training/Logistics." The sixth and final session was advertised under the caption, "Wrap-Up."

By implication, the DPSB sessions would treat proposed POM adjustments at a very macro level. The official guidance for the DPSB briefings promised that "The SPP's and SPP briefing material . . . will form the basis for the first six DPSBs." [Ref. 24: p. 1] That promise notwithstanding, the "end-game" of the POM-87 cycle represented a significant compression of the iterative reviews of previous cycles.

More to the point, the POM-87 end-game represented a significant change from previous cycles in that not only were fewer total hours available for Resource (and other) Sponsors to prosecute their cases before higher authority, but that not all Resource (and other) Sponsors were able to have their day or days in court. Elevation of the final decision-making to the DPSB level reduced the programmatic presentations to a total of five. Although many of the 13 Resource Sponsors had been able to present their SPP's before the system was diverted, many others were not. In short, the final presentations, the basis for the ultimate decisions on the Navy's POM-87 submission, were not made according to the established Sponsorship delineations. Instead, the DPSB briefings were to be handled by "a flag representative of the responsible OPNAV component." [Ref. 24: p. 1]

In the case of OP-01, this worked out fairly well, allowing him to take advantage of his multiple roles as Resource and Assessment Sponsor, and as the CNO's primary advisor on Manpower, Personnel, and Training in general. Other advocates did not fare as well, as will be seen in the next chapter.

It may also be notable that the OP-01 SPP was one of the few presented to the PDRC and PRC groups (convened jointly). The results of that presentation were principally requests for amplification of the information as presented. Only one "ZOW" was issued, directing OP-01 to "define and executable VOTECH<sup>30</sup> program." That directive included no specific instruction to change the funding levels contained in the SPP. [Ref. 25]

For OP-01, the Resource Sponsor, the final outcome of POM-87 development may well have been significantly shaped by the personal appearance of the OP-01 incumbent in the star chamber in which the ultimate POM decisions were made. The bulk of his SPP was upheld, and he was granted \$51 million in additional resources for some of the contested items in the Family Housing construction program that he had placed in "overguidance."<sup>31</sup>

On the other hand, the end-game did result in some decrements to OP-01 programs. Appropriations other than Family Housing and Military Construction were reduced by \$17 million in Fiscal Year 1987 (with higher amounts in successive POM years). OP-01 elected to take the cuts primarily from Operations and Maintenance (the appropriation generally regarded has

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<sup>30</sup>Vocational-technical education

<sup>31</sup>Subsequent review by OP-90 analysts resulted in a decision to rephase DPSB direction for Fiscal Year 1987 into later years, leaving the net adjustment to OP-01's Fiscal '87 controls at \$11 million more than the baseline upon which the SPP was built.

having the maximum flexibility). "Base Operating Support" accounts were reduced at the CNET and CNO claimancies (about \$2 million each). Two other claimancies (COMNAVRESFOR and CNMPC) were decremented \$1 million apiece in automatic data processing funds. The biggest single cut (\$4 million) was levied against recruit and general skill training for enlisted personnel--a relatively small proportion of these total accounts.

The second largest cut came out of a Reserve program, travel and moving expense funds for Permanent Change of Station orders issued to career active-duty Reservists.

In short, the end-game adjustments--even the decrement to Operations and Maintenance accounts--created no major disruptions in OP-01 programs or jeopardize their executability. Nor did adjustments seriously revise the SPP.

The bottom line, in fact, was to OP-01's advantage. OP-12's Deputy Director summed up the final outcome of POM development for the year in his wrap-up memo on end-game adjustments to the OP-01 resource line:

As we stand today [May 17, 1985], the overall Navy [Total Obligational Authority] has decreased approximately \$5 billion (5%) from the January FYDP while the OP-01 TOA has grown just under 1 percent." [Ref. 26: p. 2]

Documentable research does not allow an unbiased evaluation of whether such an outcome would have occurred had the unforeseen events not have disrupted the prescribed procedures. Nor does it allow a full evaluation of the intangible factors (the individual personalities and bargaining skills of major players, for instance) and their effect on the final outcome. Suffice it to say, OP-01 fared well in POM-87 formulation; many of his fellow Resource Sponsors could not make the same claim.

## F. CONCLUSION

This chapter has attempted to place the Resource Sponsor role in the overall context of Navy POM development, by describing the process as it actually occurred in one of the 14 Resource Sponsorships. The various forces that affect how the Resource Sponsor decides to structure his Sponsor Program Proposal were introduced, together with an analysis of their relative significance in a real-world example of SPP development.

One of these forces--the Assessment Sponsor function--is of particular importance in SPP development by all Resource Sponsors. That function is the topic of the next chapter, with the same procedure used of exploring an actual Assessment Sponsorship as it functioned during POM-87.

#### IV. THE ASSESSMENT SPONSOR FUNCTION: OP-09R

The message imparted by the previous chapters should be clear: the Resource Sponsor role may be considered key in the programming phase, since it is the Resource Sponsor who has front-line decision-making authority in allocating the resources assigned to him. As described above, assignment of resource responsibility is done primarily (although not always uniformly) on the basis of program. This would implicitly make the Resource Sponsors the program advocates for their assigned areas. Were only their judgments followed, the results could be a total Navy POM that was nothing more than 14 separate "mini-POM's."

However, unlike other Services, the Navy applies additional levels of scrutiny to the POM development process. Among the most significant of these is the Assessment Sponsor function.<sup>1</sup>

##### A. THE ASSESSMENT SPONSOR ROLE

According to formal guidance (as embodied in annual POM Serials), the Assessment Sponsor role comes to the fore at two points in POM development. The first--the Baseline Assessment Memorandum--occurs during the "planning" stage of programming (circa November), prior to final internal decisions on the individual Resource Sponsor Program Proposals. The second milestone--the Post-SPP Assessment--is scheduled to occur during the "end-game," following the March submission of the SPP's to OP-90. The objective of the first milestone is for the Assessment Sponsors to

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<sup>1</sup>Refer to Chapter 2, Section B.3.b for a basic description of the Assessment Sponsor role in POM development.

tell Resource Sponsor decision-makers where deficiencies in the existing resource arrays have been identified. The purpose of the second assessment is to monitor how those identified deficiencies have been treated in each SPP.

This chapter will examine how one Assessment Sponsor conducted his task during the POM-87 cycle. As is the case with Resource Sponsors, Assessment Sponsors have considerable latitude in how they accomplish their assignments. Although OP-90 issues general guidance, that guidance shares some common attributes with much of the other "from on-high" issuances dictating POM development: in particular, it is so broad in scope as to (in most cases) allow each Assessment Sponsor to establish his own analytical methods and standards. Obviously, this results in a multitude of analytical structures, with each Assessment Sponsor viewing his jurisdiction according to different measures of effectiveness and employing different methodologies to derive final judgments. Moreover, each Assessment Sponsor has a great deal to say about what topics will be "assessed" during each cycle. Suffice it to say, the assessment process is highly selective, as well as highly subjective.

This is a function of reality. Since the designated Assessment Sponsorships are extremely broad (for example, "Manpower, Personnel, and Training"; "Reserve Programs"; "Logistics"),<sup>2</sup> it would be extremely difficult to conduct comprehensive annual assessments across all 14 Resource Sponsorships. Moreover, such in-depth coverage is not, arguably, necessary. Resource allocation throughout the Federal government is done on the

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<sup>2</sup>Refer to Figure 2-4 for a listing of the Navy Assessment Sponsorship jurisdictions.

margin, with the ultimate product of Executive Branch deliberations the President's annual budget submission to the Congress. That submission does not consider Federal programs comprehensively but only in terms of changes from previous submissions. Logically, the preparation of the President's Budget is validly based on marginal analysis.

#### B. "COMPREHENSIVE" APPRAISAL

In recent years, Navy resource managers determined that some form of "bottom-up" analysis during the programming phase would be beneficial. Thus, the "Baseline Area Appraisal" was born in the POM-84 cycle.<sup>3</sup> The "BAA" is designed to overcome the difficulties associated with marginal analyses by providing an in-depth review. According to OP-90's POM Serial 87-1, the BAA:

... will provide resource sponsors with a realistic assessment of the capabilities provided by programmed resources vis-a-vis the capabilities required to achieve the program's mission, identifying shortfalls and providing alternatives to improve overall capability. [Ref. 15: p. 5]

In somewhat clearer language, a BAA examines the baseline resource arrays, as contained in the most recent update to the Five Year Defense Program, identifies each Resource Sponsor's deficiencies in a particular assessment area, and recommends how the problems might be resolved. This sounds very like the description of the Baseline Assessment Memoranda offered previously, and indeed the two processes are highly similar. The primary difference, by design, at least, is that the Baseline Assessment Memoranda look only at selected issues. By contrast, the Baseline Area Appraisal is intended to scrutinize critical programs in their entirety, thus

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<sup>3</sup>Originally captioned the "Baseline Task Area Appraisal," or BTAA.

providing benefits for both long-range planning and near-term programming.  
[Ref. 15: p. 5]

Like the BAA, the Baseline Assessment is not limited to dealing with resource requirements only at the margin. Official guidance emphasized:

... the baseline assessment is not dependent upon funding levels currently programmed or displayed in the FYDP and should not be expressed as a difference from the FYDP. The baseline assessment resource display represents the absolute funding required to reach the level of capability identified for a particular topic . . . [Ref. 21: p. 11]

The BAA is not constrained by as much formal guidance; the only official pronouncement during the POM-87 cycle was in the first OP-90 POM Serial Memorandum. The references in that serial to "scrutinizing critical programs in their entirety" and "in-depth evaluations" might lead the reader to expect a comprehensive look at everything in the Navy's resource base relating to Reserve programs.

Once again, realities differ somewhat from what the documentation might suggest. Although official guidance implies that a BAA provides an in-depth analysis of a program or broadly defined warfare or support area, the BAAs that have so far been developed have dealt with only a few issues within those broad limits. The limits of time and human resources offer the most probable explanation for this selectivity.<sup>4</sup> In addition, there seems little logical value in spending great amounts of time and effort to analyze non-problem areas. Thus, the BAA might be better described as an assessment of certain critical issues within a particular warfare or support area.

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<sup>4</sup>Beginning in POM-87, BAA developers were promised at least one-year's advance notice, to correct the problems associated with the former practice of the assignment being made only a few months prior to the required delivery date.

The pattern of selectivity was followed in the Reserve BAA prepared for the POM-87 cycle. Only certain issues were treated, and those only to a certain degree. Because of the BAA, the Reserve Assessment Sponsor, the Director of Naval Reserve (OP-09R), opted not to prepare a Baseline Assessment Memorandum in POM-87.

Before proceeding into the details of how OP-09R performed his Assessment Sponsor duties in POM-87, it bears repeating that Assessment Sponsors are, initially at least, merely petitioners for Resource Sponsors' dollars and manpower. By themselves, the Assessment Sponsors carry no effective power to enforce compliance with their desires, at least not formally.

#### C. THE DIRECTOR OF NAVAL RESERVE

According to his charter, as articulated in the Organization Manual of the Office of the Chief of Naval Operations, the Director of Naval Reserve (OP-09R) is tasked with the following mission:

To exercise for CNO policy, direction, control, administration, and management of the Naval Reserve; to establish plans, programs, priorities, organizations, procedures, and standards for the Naval Reserve; . . . to provide budgetary support for Naval Reserve Activities. [Ref. 2: p. 09R-3]

Figure 4-1 shows the reporting relationship between OP-09R and the Navy's two most senior officers. As the diagram indicates, he has a direct line to the Vice Chief of Naval Operations and implicitly to the CNO himself. Does he enjoy a lesser or greater position than the Resource Sponsors? A review of Figure 2-1 might imply that the former is the case; however, his designation as the Director of a Major Navy Staff Office implicitly puts him on a par with five Resource Sponsors--OP-093, OP-094, OP-095, and

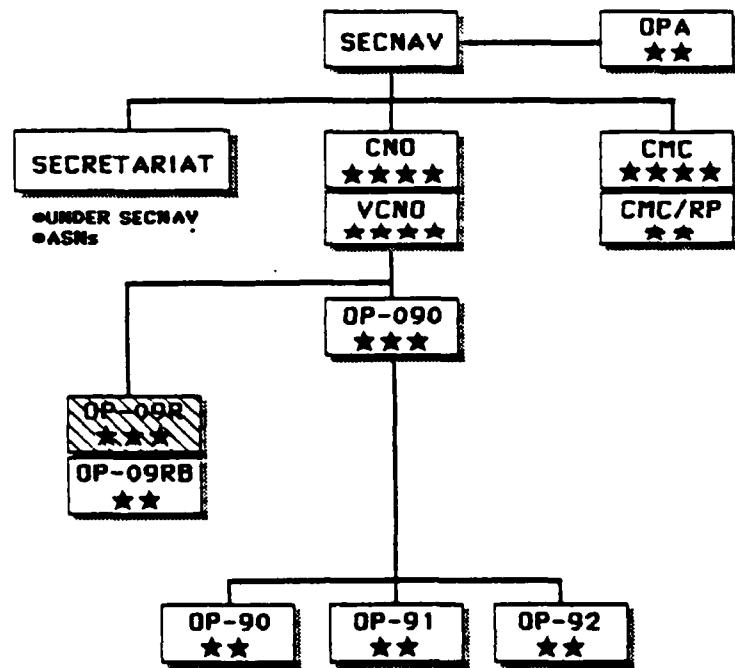


Figure 4-1. Director of Naval Reserve Relationship  
with CNO/VCNO

OP-098. For that matter, he arguably shares status with the Director of Navy Program Planning, OP-090. However, as is often the case, the graphical representations possible in organization charts depict a much tidier organization than exists in real life. In many respects, the Director of Naval Reserve is extraordinary relative to his colleagues.

One respect deals with the combination of roles the individual assigned to the OP-09R billet will play during his tenure. His function as one of the CNO's direct reportees, in his role as a Director of a Major Staff Office (and Assessment Sponsor for Naval Reserve matters)<sup>5</sup> constitutes only one of his assigned jobs. He is "double-hatted" as the Commander of the Naval Reserve Forces, a major claimant (whose primary responsibilities involve executing Navywide Reserve programs).

OP-90's annual POM Serial memoranda set forth the general responsibilities for Assessment Sponsors. Unlike other Assessment Sponsors, however, OP-09R enjoys additional standing guidance regarding the disposition of the Navy's resources dedicated to its Reserve Component. A standing instruction issued by the Office of the Chief of Naval Operations, 7040.6A, lays out specific direction:

... it is important that the Naval Reserve be actively represented throughout the entire Planning, Programming, and Budgeting System (PPBS) process. [Ref. 27: p. 2]

Like other Directors of Major Staff Offices on the OPNAV staff, OP-09R's basic mission and responsibilities are outlined in the OPNAV Organization Manual [Ref. 2: p. 09R-a]. OPNAV Instruction 7040.6 details additional specific responsibilities for the OP-09R incumbent.

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<sup>5</sup>Although the OPNAV Organization Manual does not specify his Assessment Sponsor role in his official mission statement.

The Director of Naval Reserve . . . reviews actions being considered in POM development which affect the Naval Reserve, comments on the capability of the Reserve program to accomplish additional tasks or new missions, and recommends initiatives for accomplishment in the Naval Reserve. He also considers the effect of proposed reductions on the Reserve program. He is responsible for the presentation of the total Naval Reserve program to higher reviewing authority and to the Congress. [Ref. 27: p. 2]

The OPNAV directive also specifies certain actions for other major players in the POM process:

All OPNAV DCNO's and Directors of Major Staff Offices (DMSO's) shall ensure that the Director of Naval Reserve and cognizant program sponsors are provided timely information concerning major decisions which may affect the Naval Reserve or Naval Reserve resources. This information is to include, but is not limited to, POM policies and decisions, claimant and field program and budget submissions, budget preparation and review, apportionment, and proposed reprogramming actions. [Ref. 27: p.3]

However, OP-09R is also the Commander of Naval Reserve Forces, the major claimant with responsibility for executing the programs developed and approved in OPNAV.

On paper, a potential conflict of interest leaps to attention. Given the foregoing discussions of the dichotomy between Resource Sponsor and claimant, the reader will perhaps have acquired an appreciation of the duality of the Navy resource management situation. The Commander of the Naval Reserve Forces is unique in that he is the only major claimant who is also an Assessment Sponsor.

An obvious question arises as to how the duality of the roles is viewed by those most closely associated with POM development. To be sure, a single individual (currently a vice admiral)<sup>6</sup> is charged with carrying out the responsibilities of two separate and distinct jobs: the Director of Naval

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<sup>6</sup>The incumbent (as of this writing) is a 3-starred vice admiral; the billet was downgraded in recent years from a 3- to a 2-starred position, which was subsequently protested by Congressional committees.

Reserve, on the staff of the Chief of Naval Operations in Washington, DC; and the Commander of the Naval Reserve Forces, a major claimancy headquartered in New Orleans, Louisiana.

However, that single vice admiral has, in addition to his two titles, two separate and distinct staff organizations--one at each geographic location. The question thus focuses on the distinction between the functions carried out by his respective staffs.

During POM development, the OPNAV organization has a certain priority. According to OP-90's POM Serial 87-1, OP-09R is a major POM player in his role as an Assessment Sponsor. Rotating his perspective a few degrees, he can also submit input into the POM development process as a major claimant.

During the POM-87 cycle, the OP-09R/COMNAVRESFOR duality experienced a unique role in POM development.

#### D. RESERVE PROGRAMS IN POM-87

A brief synopsis of certain external events will help set the stage.

##### 1. Background: Increasing Visibility of the Reserves

As implied in earlier discussions, the Naval Reserve had, during the early 1980's, been the focus of heightened attention from higher levels--the Congress, the Office of the Secretary of Defense, and the Secretary of the Navy personally. The late 1970's had not been prosperous for Reserve forces, in terms of the relative proportions of Navy resources dedicated to Reserve programs. As a consequence of the combined attentions just cited, the POM development cycles of the early '80's were significant for the Naval Reserve for a variety of reasons.

Early in the 1980's, the forerunner to the current COMNAVRESFOR organization, the Office of the Chief of Naval Reserve, was subjected to a full-scale audit by the Inspector General of the Navy. Among the findings cited by the IG were identified shortcomings in how the Reserves participated in PPBS activities. The general theme of the inspection report was that Reserve leaders were not sufficiently well versed in the system to be effective PPBS players.

From the preceding chapter detailing the situation within a Resource Sponsor organization, it might be concluded that a reorganization of the internal structure significantly affected how that organization conducted its POM development activities during the POM-86 and POM-87 cycles. A reorganization, albeit of comparatively lesser proportions, occurred within the organization of the Director of Naval Reserve. The staff dedicated to POM activities was expanded from two to four, thereby doubling the human resources available to monitor what Resource Sponsors were doing and to defend Reserve issues in the POM deliberation arenas. The reorganization was only one factor that contributed to a distinct difference in the conduct of POM-87 relative to previous years.

The Congressional interest in Reserve matters--particularly in the Navy's Reserve component--emerged during the latter 1970's. The advent of the Reagan Administration, and especially the appointment of John Lehman as Secretary of the Navy, added to the rolls of high-level interest-takers. Without digressing into the many factors that contributed to the increased attention (and, implicitly, increased resources!) being directed to the Naval Reserve, suffice it to say that the Reserve Assessment Sponsor function

assumed considerable visibility in POM development (which visibility, as of this writing, appears to be continuing).

In that respect, Reserve matters took on a significance somewhat different than that accorded to other Assessment areas. For example, "Manpower, Personnel, and Training" a long-established Assessment jurisdiction, was not accorded the higher-level attention of Reserve affairs. Might one then assume that Reserve issues received greater consideration than did MPT in POM-87?

Documentable evidence makes that question extremely difficult to answer conclusively. It is demonstrably true, however, that Reserve issues did occupy an important place in the development of POM-87.

One important event that appears to have been an influence had its origins external to the Department of Defense: the Congressional deliberations on the Fiscal Year 1984 Defense Authorization legislation included a specific directive to DoD to submit "a study" of how the Department was "utilizing its Reserve components." The catchword was "Total Force utilization." Within DoD, the Total Force attention was translated into programming-phase guidance for the POM-87 cycle (which would be in its initial stages during the execution of the Fiscal Year 1984 budget).

The CNO's Program and Fiscal Guidance for POM-87 included specific mention of the Congressional "Total Force" directive. Resource Sponsors were enjoined to address items included in the report to the Congress. The earlier-issued Department of the Navy Consolidated Planning and Programming Guidance also included specific mention of the Total Force

matter.<sup>7</sup> Resource Sponsors were given a degree of advance warning during the first months of the programming phase, when they received a draft outline of the FY-85 Report to the Congress, which outlined specific initiatives to be included in POM-87 development. [Ref. 28: *in toto*]

## 2. Development of the Reserve Baseline Area Appraisal

Another indication of the heightened attention directed toward Reserve matters was the decision that the Baseline Area Appraisal during the POM-87 cycle be focussed on the Naval Reserve. Official guidance notwithstanding, the typical Assessment Sponsor function during a POM cycle considers resources on the margin. In POM-87, marginal analysis of the Navy's Reserve component was deemed insufficient. Reserve programs were to be subjected to an in-depth examination in the "BAA."

The Reserve forces can be conveniently categorized as "Surface" and "Air." The BAA for POM-87 was subsequently narrowed to focus on the Surface Reserve segment. A further narrowing brought the subject area to "Manpower, Personnel, and Training" issues.

Obvious questions arise: how did the "assessors" in OP-09R perform their roles? What sources of information and analysis were used in formulating the BAA?

Partial answers to the questions require a brief examination of OP-09R's other role, as the major claimant, Commander of the Naval Reserve Forces.

Once again, the Reserve situation is distinctive relative to that of other claimants. "COMNAVRESFOR" executes the majority of Reserve

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<sup>7</sup>Both documents are classified, thus precluding specific citation.

programs in the Navy (contrast his situation to that of the major Fleet Commanders in Chief, whose claimancies include a far broader variety of missions and activities). Thus, the scope of interest to the major claimant COMNAVRESFOR closely parallels that of the Assessment Sponsor, OP-09R.

The claimant, due to his responsibilities for executing budgeted resources, is logically the most knowledgeable source of information regarding executability of programs as they are formulated by the designated policy-makers in the Office of the Chief of Naval Operations. Logically, then, the staff of OP-09R turn to their counterparts on the staff of COMNAVRESFOR. Does this constitute a conflict of interest? Arguably it does, in that the assessment function is intended to provide an objective look at the Navy's programmed resources. A claimant, on the other hand, might tend toward parochialism, seeing the world from the perspective of his own problems in executing what he has previously been given, rather than taking the broader, more objective view of what should be programmed. The claimant would understandably want to have some voice in determining what it is he is supposed to do. Certainly, his experience in actually executing programs gives him insights the more isolated OPNAV policy-maker might lack as to what actually works in real-time.

As a major claimant, COMNAVRESFOR has for several years adopted an unusual method of presenting his recommendations to Resource Sponsors. Throughout the summer, subclaimant activities develop their "issues" (that is, their wish-lists for revising existing resource arrays). As is the case with most POM "petitions" to Resource Sponsors, the COMNAVRESFOR issues are more often requests for additional resources than requests for "zero-sum" realignments. And, following the typical pattern, the originator of an

issue rarely identifies an offset for those resources representing an increase to existing levels.

In late August, Resource Sponsor representatives are invited to COMNAVRESFOR headquarters in New Orleans for a two- to three-day conference, popularly called the "POMFEST." The purpose of the POMFEST is the face-to-face presentation of the multitude of subclaimant issues, with the issues' originators given the chance to personally plead their case before the people who will have a hand in making the final decision at the Resource Sponsor level. This "heads-up" alert to all the issues for a major claimancy comes a full three months in advance of the scheduled date for distribution of "Claimant Input via OP-90" issues.<sup>8</sup> COMNAVRESFOR subclaimants do not limit themselves to the overall claimant allotment of "five issues per Resource Sponsor." They are at this point fairly unconstrained in their requests.

At least two benefits of POMFEST appear obvious. First, the Resource Sponsor representatives have an early idea of what the claimant will be asking for--presented in an environment in which the originator of the request can be queried as to his justification and whatever other questions the Resource Sponsor staff may have (in other words, the kind of interchange that is precluded by paper-copy submissions confined to the specified formats prescribed for OP-90's "Claimant Input" exercise). A second benefit is that ownership disputes can be surfaced (and perhaps even resolved) on the spot, thereby avoiding lengthy long-distance squabbling during the heat of SPP development. Another benefit of lesser importance is

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<sup>8</sup>Refer to Chapter 2, Section B.5.a, for a description of this medium of claimant participation in POM development.

that each Resource Sponsor representative has the opportunity to see the COMNAVRESFOR requests in their entirety early in the SPP development cycle. That is, they can see not only what the claimant is requesting of their own Resource Sponsor line, but all the requests against other lines, as well.

The Resource Sponsors will see the COMNAVRESFOR issues again (at least five of them!), because the claimant will formally submit them as Claimant Input via OP-90 (thereby requiring the Resource Sponsors to formally account for each of these five issues in presenting their Sponsor Program Proposals).

Many of the issues are used for another purpose, as well: as the basis for OP-09R's Assessment Sponsor function. In the Baseline Area Appraisal on Reserves for POM-87, many of the items had their beginnings as COMNAVRESFOR subclaimant issues.

The rationale for this was articulated by OP-09R's primary action officer for POM development, OP-09R4.<sup>9</sup> According to that officer, the claimant is a logical source of information regarding the deficiencies in executing Naval Reserve programs, since it is the claimant who must translate the POM programs into not only budget submissions but executed realities. If, for example, a POM initiative designed to enhance recruiting of Naval Reservists includes resources that prove too limited to accomplish the objective, the claimant executing that initiative will be the first to

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<sup>9</sup>Captain Barry Bennett, U.S. Naval Reserve. The author had numerous conversations with Captain Bennett throughout preparation of this thesis. Captain Bennett is a veteran of five POM cycles in OP-09R, with the prospect of at least two more; in terms of specific experience as a POM participant, he is well above average for an officer assigned to OPNAV.

know. Logically, the claimant will be the first source of reliable information on that deficiency--and hence the source of corrective action in future years.

The prevailing philosophy is that claimants are not policy makers but merely policy executers. On the other hand, Assessment Sponsors--all from OPNAV organizations--are potential policy makers. Can a claimant provide the necessary objectivity in deciding among the many competing claims against limited resources, or will he opt for what makes his own responsibilities easier to discharge?

In the view of OP-09R staff, the claimant's perspective is mandatory to an objective view of the overall resource situation.

Another explanation for the method OP-09R uses in articulating his Assessment Sponsor functions comes from the Deputy Director of Naval Reserve, OP-09RB.<sup>10</sup> He views the Assessment Sponsor function as being essentially reactive to requirements developed at other levels (Congress, the Office of the Secretary of Defense, the Department of the Navy, or Resource Sponsor, as the case may be). The Assessment Sponsor does not himself originate requirements, but merely assesses what is required to bring those requirements to fruition. Logically, the best source of information for executability issues is the claimant. Thus, the BAA validly included many items originated within the COMNAVRESFOR claimancy.

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<sup>10</sup>Rear Admiral Neale Smith, U.S. Naval Reserve. Rear Admiral Smith served in the Deputy OP-09R position during the POM-87 cycle; his duties included representing OP-09R on the Program Development Review Committee (and standing in for his boss when that individual was unable to attend meetings of the 3-star Program Review Committee).

Another source of information for the BAA came from within the OPNAV organization. Since the four areas addressed in the appraisal included manpower, personnel, and training, it was logical to employ the existing methods by which Reserve manpower requirements are derived. The existing system is based on the premise that Reserve manpower should have a distinct relationship to the manpower requirements attendant to mobilization of Reserve forces. That is, first the Navy should survey what manpower billets would be required in the event of a mobilization; then, the Naval Reserve should be structured specifically to train the personnel necessary to fill those manpower slots. By this methodology, Naval Reserve manpower requirements become a function of "non-Reserve Navy"<sup>11</sup> manpower considerations. For instance, if a new aircraft carrier is introduced into the active fleet, it would entail not only full-time active-duty billets but several hundred augmentation billets against a possible mobilization. Implicitly, Selected Reservists would need to be recruited, trained, and retained in the Reserve to support that eventuality.

The existing system is based on an analytical model in operation for several years: called "NAMMOS," for Navy Manpower Mobilization System, the model's methodology is applied throughout the Department of Defense and has been specifically scrutinized (and blessed) by the Congress. The office having cognizance for maintaining this model is OP-01, the DCNO for Manpower, Personnel, and Training. The Reserve BAA used the NAMMOS

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<sup>11</sup>The distinction between resources associated with "Reserve" and "Non-Reserve" programs is often controversial or confusing simply on the basis of terminology. To avoid argument or confusion over the use of such terms as "Regular" or "active Navy" to describe those aspects not associated with Reserve programs, this thesis will refer to resources associated with the Navy's two components as "Reserve" and "non-Reserve."

model for much of the manpower analysis. One conclusion was that the Naval Reserve was programmed to grow at a brisk rate of 35 percent over the figures in the October 1984 edition of the Five Year Defense Program (the initial baseline against which POM-87 was developed). That rate of growth (more than 30,000 part-time "Selected Reservists," and 9,800 full-time active-duty "TAR's"<sup>12</sup>) "presents a formidable challenge in the areas of recruiting, retention, and training." [Ref. 29: p. m-5]

Among the specific issues treated in the BAA were those three "challenges." Working with the existing manpower model, plus drawing on other expertise from within the various OPNAV organizations concerning requirements for attracting, training, and keeping Reservists, OP-09R also called upon the analytical staff of the Center for Naval Analysis (CNA).

The CNA analysts assisted primarily in the manpower assessment. Training requirements were based on the inputs from the various Resource Sponsors having responsibility for significant Reserve-related requirements (specifically, OP-03, Surface Warfare; OP-04, Logistics; OP-05, Air Warfare; and OP-093, Medical Support). The DCNO for Manpower, Personnel, and Training, OP-01, maintains a staff to oversee Navy training requirements at large; OP-09R requested comments from those individuals, as well.

The portion dealing with recruiting was based heavily on input from the Commander, Naval Reserve Force claimancy. The logic for this was that COMNAVRESFOR would have the chief responsibility for Reserve recruiting, therefore the COMNAVRESFOR staff constituted the best source of

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<sup>12</sup>For Training and Administration of Reserves"; TAR's are career active-duty Reservists whose primary responsibility is to take care of Reserve programs.

information as to what resources would be required to meet the needs associated with the projected growth. [Ref. 29: p. sp-14]

Similarly, the analyses personnel-related issues were drawn heavily from claimant comment. For instance, one specific citation was a shortcoming in the Navywide Personnel Administration Support System (PASS) which prevented necessary identification of certain Reservist attributes.

The foregoing discussion has touched only a few elements of the POM-87 Reserve BAA, to convey a general idea of where the analyses were born and upon what they were based. This general outline of the BAA is not intended as a comprehensive description of the document but enough to provide insight as to how OP-09R accomplished his Assessment Sponsor function during the planning subphase of POM development.

Although this thesis is not concerned with the relative validity of the BAA itself, or in critiquing the substance of it, a few comments on the BAA are pertinent.

Although it would be difficult for an outsider to document, it appears that the POM-87 Reserve BAA was not enthusiastically received within OPNAV. The Resource Sponsors, as represented on the Program Review and Program Development Review Committees, were not favorably impressed with the "analysis" displayed in the BAA. Nor, apparently, were the POM brokers in OP-090 and OP-90.<sup>13</sup> If the foregoing could be substantiated, it would be pertinent to the POM development process.

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<sup>13</sup>Based on this writer's personal impressions, from conversations with various POM participants who were involved in POM-87.

The BAA was instituted to serve as a believable assessment of the status quo. Its specific purposes are to define what should be done to bring the Navy up to the capabilities required to respond in given situations. Or, putting it another way, it should convey to those concerned--including the CNO--what the Resource Sponsors should be doing in POM development. If the analytical basis for the appraisal is open to doubt, then Resource Sponsors will naturally be unwilling to commit any portion of their constrained resources. The options left to the Assessment Sponsor in that case are to secure the support of higher authority--such as OP-090, the CNO, or the Secretary of the Navy--to direct the reluctant Resource Sponsors. Shaky analysis will not aid the cause, obviously!

A contrast to other Assessment Sponsor methodologies would be useful, to compare the various techniques, sources of analysis and raw data, and so forth. It would be equally useful to evaluate various sponsor's "success rates"--that is, the number of assessment recommendations adopted by Resource Sponsors and, if possible, the reasons why those adoptions were made. It will be recalled from the beginning section of this chapter that--like their Resource Sponsor counterparts--Assessment Sponsors are not bound by narrowly defined methodological or procedural guidance in how they discharge their responsibilities. There are possibly many lessons to be learned from one another's experience.

Of course, it is also noteworthy that "sound analysis" is not the ultimate factor that will persuade a resource decision-maker to commit his resources. The student newly introduced to PPBS, as it was described upon its introduction into the Department of Defense in the 1960's, might erroneously assume that quantitative considerations overcame all others to

guide resource allocation. Twenty-five years' practice illustrates otherwise; the wealth (or poverty) of so-called objective analysis notwithstanding, the very subjective elements of human dynamics, political exigencies, and other frustratingly unquantifiable phenomena still play a critical role in resource decision-making! This is as true at the lowest levels of the Navy as it is in the U.S. Congress. Analytical quality is best seen as a supporting tool to the successful securing of resources, rather than the primary tool.

#### E. FOLLOW-UP: END-GAME ADJUSTMENTS TO RESERVE PROGRAMS

To be effective, any process for recommending changes must include some sort of control mechanism to track the progress of recommendations and, if possible, to ensure their enactment. In the Navy's POM development process, such control mechanisms are built into the "end-game" activities that follow the submission of Resource Sponsor Program Proposals to OP-90. It is during the end-game that the 14 separate SPP's are consolidated into the Navy POM; intrinsic to the consolidation process are the various reviews of each SPP.

As stated at the beginning of this chapter, each Assessment Sponsor has at least two formal opportunities to make his recommendations known to the Resource Sponsors (and to the entire POM development community). In POM-87, the Reserve BAA took the place of the Baseline Assessment Memoranda prepared by other Assessment Sponsors, but the process was similar.

A major difference was the level of visibility accorded to the BAA. The Baseline Assessment Memoranda are available to virtually all POM participants, but they are really read only by two factions: the people

preparing them and the Resource Sponsor to whom they are directed. By contrast, the BAA was seen by a far greater audience. Unlike the Baseline Assessment Memoranda, which are prepared only as written documents, the BAA was prepared as a presentation, for the highest levels of the OPNAV organization--including the CNO himself.

The logical objective of the BAA authors, as the advocates of Reserve programs in the Navy, was to get their recommendations incorporated into Resource Sponsor Program Proposals. As was described in Chapter 2, a variety of routes are available to a Resource Sponsor; the most effective medium is typically the CNO's Program and Fiscal Guidance. Thus, the logical goal of the BAA presenters would be to convince CNO to include specific guidance to the Resource Sponsors. CPFG did indeed include specific guidance for many Reserve issues, with perhaps the most significant being the blanket directive that "Reserve BAA Issues shall receive priority consideration." [Ref. 30: p. 4]

Another route to success with Resource Sponsors is inclusion of specific (or even general) admonitions in other higher-level guidance documents. Reserve issues were incorporated in the November Department of the Navy Consolidated Planning and Programming Guidance, issued in November.<sup>14</sup>

OP-09R measured response by the Resource Sponsors in a traditional Post-SPP Assessment, prepared in March 1985. Beginning with an overview of Reserve programs within the Navy, the Post-SPP Assessment was based on the SPP's as submitted to OP-90 (that is, the presentations)

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<sup>14</sup>Refer to Chapter 3, Section C.7., for a description of this document.

and the actual data-base update that would, if accepted, adjust existing FYDP levels for Reserve programs. In addition, OP-09R surveyed the "Sponsor Program Proposal Documents," the SPPD's prepared as the formal response to claimant input.

Typically, the SPPD is of interest only to the Resource Sponsor who prepares it and the claimant to whom it is directed. It is the formal medium through which claimants receive word as to the disposition of the requests they filed via OP-90 in November. The fact that OP-09R specifically used claimant input (from COMNAVRESFOR) as a yardstick for measuring Resource Sponsor treatment of Reserve issues should underscore the duality of the OP-09R/COMNAVRESFOR incumbency. It is not a typical method in Post-SPP Assessments.

Following the general comments, the Reserve Post-SPP Assessment detailed each SPP's treatment of identified Reserve issues. For example, the OP-01 Resource Sponsorship had three issues identified in formal guidance:

- Program growth in Selected Reserve Manpower up to the pre-determined level required for mobilization.
- Insure minimum essential resources for recruiting and advertising.
- Identify Selected Re-enlistment Bonus requirements for full-time Reservists ("TAR's") and other bonuses for Selected Reservists to attract and retain required personnel.

The Post-SPP Assessment noted that OP-01 funded the first directive, was "coordinating" the second, and had "complied" with the third (which would require Congressional approval). The Assessment also noted that

Although the cognizant Resource Sponsors (OP-04 and OP-093) are responsible for programming funds for [vocational-technical] tuition payments, OP-01 should program necessary assets to manage the execution of the VOTECH program through [the Chief of Naval Education and Training] CNET. [Ref. 30: p. 13]

Finally, a "remaining problem" was cited, concerning a shortfall of funding to reimburse barracks service charges incurred by Reservists in the course of their weekend drills.

The question then becomes, as with the BAA, what control mechanism ensures that the Post-SPP Assessments are attended to by the Resource Sponsors?

The answer in POM-87 was--to many Assessment Sponsors--far from satisfactory. Having invested the time and effort into preparing the Post-SPP evaluation of Resource Sponsor decisions, the Assessment Sponsor was directed, in the POM-87 end-game, to simply forward the assessments to the cognizant Resource Sponsors. Like the Baseline Assessment Memoranda upon which most of the Post-SPP Assessments were based, the latter documents were never presented to any formal review group. If, in fact, OP-90 or anyone of higher rank actually saw those pieces of paper, there is no documentation as to what result transpired.

As far as that goes, there is no real record as to what individuals in a given Resource Sponsor organization actually saw--much less paid attention to!--the Post-SPP Assessments. In short, the documents themselves carried no real clout. Conceivably, Resource Sponsors could file them away without reading them, since they were bound by no formal procedure to respond.

In previous years, the Post-SPP Assessments had been formally presented to the Program Review and Program Development Review

Committees, the 3- and 2-star boards that serve as a major element in the control of Navy POM development. Under that procedure, an Assessment Sponsor had an official--and visible--day in court. He could bring issues to the surface, before all parties involved, and in the presence of the "Honest Brokers" in the OP-90/090 organization. Then, if the evidence were sufficiently convincing, the Resource Sponsor might be directed to comply during the last weeks of the end-game process. Lacking a public hearing, the Assessment Sponsors were forced to rely on other means of persuasion.

The various Assessment Sponsors reacted in different ways. One viewpoint held that the Post-SPP Assessments were essentially worthless due to the lack of visibility; that is, once prepared, the assessments were dispersed into an untrackable vacuum.<sup>15</sup> OP-OSR representatives saw it differently, recognizing the potential in dealing informally with lower-level staff members in various Resource Sponsor organizations to follow up on specific assessment items.

In the previous chapter, it was mentioned that certain events transpired during the POM-87 cycle that distinguished that year's process from previous years' experiences. Some of the most important changes had to do with the timing and process of end-game activities. In earlier years, all presentations--beginning with the individual SPP's and followed by the Post-SPP Assessments--were formally briefed to the review groups. The increased role played by the Department of the Navy Program Strategy Board had been an important factor in the POM-86. The DPSB injected the Navy's highest level of review at a much earlier juncture than in previous cycles

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<sup>15</sup>Captain C. Shields, OP-120; conversations on March 4-5, 1986.

and to a comparatively lower level of detail. Instead of merely hearing the Navy POM presented in summary, the DPSB was examining specific items and issues, over the course of at least six 2-hour sessions. POM-87 events were compounded by the unexpected death of the incumbent OP-90, the chairman of the 2-star Program Development Review Committee. In the POM-87 end-game, formerly sequential PRC and PDRC presentations were consolidated into single sessions, with both 2- and 3-star admirals present concurrently, under the chairmanship of OP-090.

On the face of it, it might be assumed that the combined sessions resulted in a decrease in the total time available for an individual Sponsor to plead his case. POM-87 participants aver otherwise, contending that the POM-87 end-game reviews actually represented an increase in the attention from high-level decision-makers.<sup>16</sup>

The most significant level of review, in terms of the effect on ultimate POM decisions, occurred at the DPSB level. Chaired personally by the Secretary of the Navy, the DPSB sessions produced the final decisions on the content of the Navy POM. Obviously, six 2-hour sessions would be insufficient to allow an in-depth consideration of all but major issues. However, the depth to which the DPSB went in POM-87 surpassed anything they had previously done.

Each Resource Sponsor was afforded the opportunity to present his program proposal, albeit on a highly structured basis and before a relatively small audience. Limited to 15 of the "most important issues," the individual

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<sup>16</sup>Captain C. Lautenbacher, OP-901, interview on May 28, 1986. Captain Lautenbacher served as OP-90's primary action officer for POM development during both the POM-87 and POM-88 cycles.

DPSB briefings gave rise to final decisions and directives to the Resource Sponsors in the form of Memoranda for the Record. At the end of the DPSB reviews, the Secretary of the Navy was prepared to sign the Navy's POM submission to the Office of the Secretary of Defense.

The Resource Sponsors constituted the basis of the DPSB agendas, not the Assessment Sponsors. What avenue, then, did the latter have to make their concerns known to the high-level officials who would make the ultimate decisions on end-game issues?

One obvious answer would be, "via informal channels,"--for example, telephone calls to DPSB members or their staffs. Another ploy might be to convince OP-090, the VCNO, or even the CNO of the validity of a particular problem, in the hope that one of these DPSB participants would be the *de facto* advocate in the closed sessions. However, such tactics have limitations; the very senior levels of the DPSB participants mitigates against loading them up with any but the most significant issues.

Some Assessment Sponsors enjoyed a more direct route to the DPSB audience: in person. This was the case for those who were double-hatted as Resource Sponsors (OP-01 and OP-04, in particular).

The Director of Naval Reserve was at a disadvantage during the POM-87 end-game, however. He was not, as the Reserve Assessment Sponsor, formally invited to any DPSB session. Nor did he have anyone who could be counted upon to represent his concerns other than the Assistant Secretary of the Navy for Manpower and Reserve Affairs.

POM participants from the OP-09R staff agree that the absence of OP-09R in the DPSB star chamber was unsatisfactory. The DPSB sessions would have been expectedly broad in their scope, attempting to cover Navy

programs in their totality. Reserve issues would conceivably be lost in the shuffle. Moreover, the participants in the DPSB would be primarily oriented to "non-Reserve" Navy matters and possibly averse to sharing their limited resources with Reserve programs. The situation was revised the following year, in which the incumbent OP-09R (who, as a 3-star vice admiral, would have adequate status to be credible in the DPSB sessions) was an invitee at all presentations involving Reserve issues.

#### F. THE BOTTOM LINE: HOW RESERVE ISSUES FARED IN POM-87

After all the end-game deliberations are completed, after OP-90 and his staff have reviewed the 14 separate SPP's for mechanical details as well as substance, after the various high-level review groups have had their day, after the Secretary of the Navy is satisfied that the Navy POM represents not 14 mini-POM's but an overall balancing of resources arrayed to optimize the fulfillment of stated policies--the POM becomes the official submission to OSD. Typically, this occurs mid-May; the POM participants in OPNAV sit back to enjoy a (comparatively!) restful few weeks while analysts in the Joint Chiefs of Staff and the Office of the Secretary of Defense begin the scrutiny that will continue into the so-called "Summer Program Review" of the Service POM's. The Summer Review will culminate in the final decisions by the Defense Resources Board, as documented in the Program Decision Memorandum signed by the Secretary of Defense.

The various OPNAV POM players will not be idle during the Summer Review, to be sure. They will share much of the responsibility in defending the Navy submission. However, for most participants, the mid-May

submission to OSD marks the "end of the POM" for this year and is the logical milestone for assessing successes and failures.

As was the case for OP-01, in his role as a Resource Sponsor, OP-09R, as the Reserve Assessment Sponsor, issues an annual wrap-up report. The wrap-up has at least three stated purposes: [Ref. 31: p. 1]

- To summarize Reserve-pertinent POM actions;
- To serve as a "desk reference for use by Naval Reserve managers";
- To assist in constructing the detailed budget submission for Fiscal Year 1987; and
- To serve as a basis for initiating POM-88 issues.

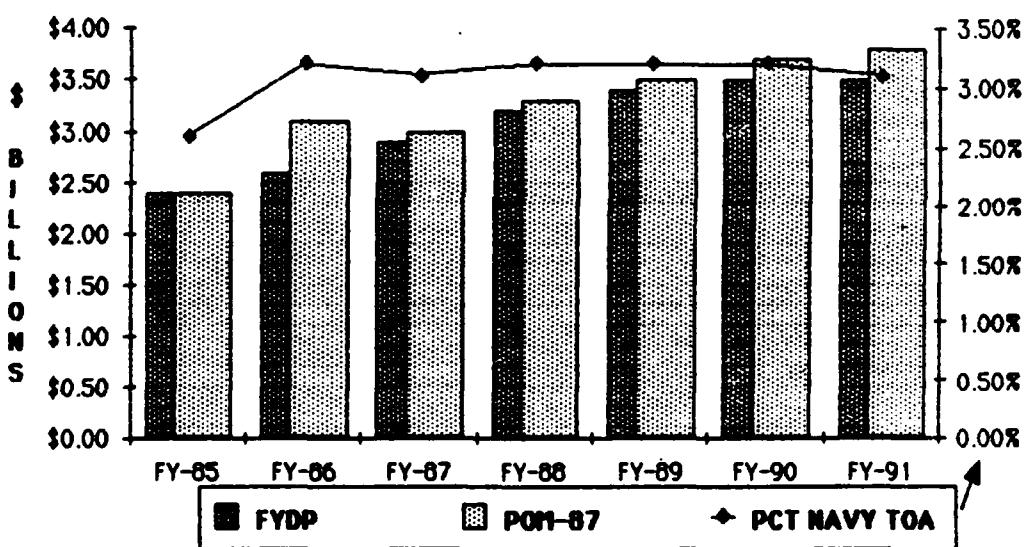


Figure 4-2. Reserve Fiscal Resources in POM-87

The OP-09R wrap-up report began by citing 12 individual items of higher-level guidance (refer to Table 4-1) involving Reserve issues, then traced how each fared in the final Navy POM submission. Figure 4-2 summarizes the outcome graphically. As can be seen, Reserve programs did

**TABLE 4-1**  
**POM-87 GUIDANCE FOR RESERVE PROGRAMS**

Department of the Navy Consolidated Planning and Programming Guidance

- Provide Reserve Airwings with more capable aircraft
- Program resources to implement Total Force Initiatives

Consolidated Program and Fiscal Guidance

- Equal funding priority for Sea-and-Air Mariner "A" School seats
- Priority consideration for Reserve Baseline Area Appraisal issues
- Selected Reserve manpower growth to numerical mobilization requirement levels by Fiscal Year 1987; attainment of quality for medical and construction requirements by Fiscal Year 1988
- Minimum essential resources for Reserve recruiting and advertising
- Reserve flying hours goals (Tactical Air: 150; Patrol: 140; Other: 130)
- Naval Reserve Force ship operations at operating tempo required to maintain readiness for wartime requirements
- Funding of Total Force initiatives approved in the 1984 and 1985 Reports to Congress
- Modernization and transition plan for Naval Reserve Carrier Air Wings
- Identification of bonus payment programs to recruit and retain Selected Reservists in required quantity, quality, and location
  - Selected Re-enlistment Bonus (SRB) for full-time active-duty Reservists ("TAR's")
  - Expanded bonuses for drilling Selected Reservists
  - Unit incentive pays
- Identification of procurement items funded for primary use by the Naval Reserve

well, growing from 2.6 percent of the Navy's total fiscal resources in Fiscal Year 1985 to 3.1 percent in the first year of the POM-87 program.

TABLE 4-2  
POM-87 SCORECARD FOR THE RESERVE BASELINE AREA APPRAISAL

<u>Issue</u>	<u>Outcome</u>
Surface Training Manpower.....	Funded
Curricula Adaptation Manpower.....	Funded
Management School Detachments.....	Funded
Triad of Training.....	Partially funded
Navy Evaluation Code (NEC) Training.....	Funded
Fleet Training Center Instructors.....	Funded
Air Reserve Squadron (A-6E) Training.....	Funded

Table 4-2 details specific outcomes of the Reserve Baseline Assessment items. The most dramatic increases in resources are associated with manpower, however. In an POM cycle that represented decrements from the previously approved Five-Year Defense Program for most Navy resources, the Reserve programs enjoyed significant increases in manpower in every category except "non-Reserve" active-duty. However, the decreases in those levels were more than offset by increases in full-time Reservists ("TAR's").

One conclusion might well be that the increases to Reserve resources in the POM-87 cycle were due, at least in part, to the effectiveness with which the Director of Naval Reserve, OP-09R, discharged his responsibilities as an Assessment Sponsor--and as an advocate of Reserve issues. Formal documentation is insufficient to support a hypothesis one way or another. It is enough to say that the Navy decided to devote a somewhat larger proportion of its total manpower and fiscal resources to

the Reserve side of its "Total Force." It is probable that the factors underlying that fact are not attributable to any one phenomenon but rather to a combination of events, personalities, and dynamics. In that regard, the POM-87 development cycle as it pertained to Navy Reserve programs was absolutely characteristic of any resource-allocation process!

#### G. QUO VADIS

The preceding chapters have explored the Navy's POM development first in its overall context, then from the perspective of the first-line resource decision-maker in the programming phase, the Resource Sponsor. A particular Resource Sponsorship was described, detailing actual events during the development of POM-87. This chapter has dealt with one important element in the "check-and-balance" scheme of POM development, the Assessment Sponsor function. Again, a specific Sponsorship was examined, tracing the events as they actually occurred in the preparation of POM-87.

This tour of the Navy's POM process has been, admittedly and intentionally, selective. No claim is made to a comprehensive account--much less analysis--of the process in its entirety. The very size of the Navy's resource base and the great variety of methods and procedures followed by the several "Sponsors" preclude quick analysis, unless the objective is a very broadly stated "overview." Such was not the intent of this thesis.

However, the foregoing introduction to the various roles, responsibilities, and relationships in the POM process does provide sufficient basis for some analysis of the process.. The following chapter will explore some of the significant findings to emerge from this selective investigation of how the Navy builds its POM.

## V. ANALYSIS OF FINDINGS

The intent of the discussion in the previous three chapters was to supply the reader with an appreciation of some of the major aspects of POM development in the Navy. The selective look at POM development, focussed on two particular offices, reveals several things of significance about the process as it took place during an actual cycle. Much analysis was woven into the narratives of the previous chapters. This chapter will attempt to summarize the most important of findings, explore possible causes and relationships among them, and propose ways of improving the situation.

There is a tendency in any research of this type to dwell on the documentable. This is particularly true when trying to construct events of several months or years prior to the writing. Documentation provides only one perspective, however. And, in a situation such as this, the documentation tends to be fairly dry, bled of personal opinion and limited to official pronouncement. In this case, the majority of the documentation dealt more with what was supposed to take place. Very little was written about what actually did happen--or how. And, when such documents were available (the "wrap-up" memos cited in Chapters 3 and 4), they dealt primarily with the content of the outcome rather than with the process which led to that outcome. The bulk of the information on how POM-87 activities actually transpire came from interviews with POM-87 participants. Admittedly, much of their recollection is undoubtedly shaped by personal opinion.

However, those opinions should not automatically be discounted; real life is lived by real people, and their perceptions can be as active a factor in shaping the final outcome of a process as any amount of so-called "objective analysis." This chapter, therefore, will be based not only on the discoveries emerging through research of the POM-87 process from available documentation but also on the personal thoughts of some of the individuals who played in significant positions during that cycle.

#### A. MAJOR CHARACTERISTICS OF NAVY POM DEVELOPMENT

If the process by which the Navy formulates its annual Program Objectives Memorandum were to be described in a single word, a few appropriate adjectives would be "complex," "complicated," "dynamic," "flexible," or "diverse." At the outset of this thesis, it was theorized that the overall resource decision-making process within the Department of Defense was a highly complicated system, which was not completely understood by many of its active participants. An additional proposition was that the system as practiced did not always match the prescribed procedures as laid forth in available documentation.

An examination of real-world events in two Navy offices--OP-01 and OP-09R--confirmed those contentions.

The Navy programming process is extremely complicated, in the literal sense that it certainly contains "intricately combined or involved parts; not easily understood or untangled." [Ref. 32: p. 272]. The Navy's process for POM development, in particular, involves a highly complicated web of relationships. There are many, many players with the potential to make significant resource decisions; their relationships--and interrelationships--are

not always clearly defined in formally issued procedural guidance. Moreover, many of the same individuals have been assigned multiple responsibilities, which are not always spelled out in great detail.

One of the most significant prevailing themes of Navy POM development is the great amount of discretion and flexibility accorded to individual managers. Guidance issued by higher levels of authority--from the Office of the Secretary of Defense down through the Department of Defense hierarchy--is typically couched in terms of expected content. Managers at lower levels--beginning with the Secretary of the Navy--have tremendous latitude in determining the procedures to be employed in attaining the prescribed content. The "controlled decentralization" endorsed by the Reagan Department of Defense appointees in 1981 appears to be functioning in the resource management activities of the mid-1980's.

The decentralization pattern is continued within the Department of the Navy and within the Navy itself. Just as Defense Guidance does not prescribe specific procedures by which the Military Departments and Defense Agencies should make resource decisions, guidance from the Secretary of the Navy to the two naval service chiefs, the Chief of Naval Operations and the Commandant of the Marine Corps, is typically oriented to what the final product should contain, rather than the processes by which that product should be developed.

Within the Office of the Chief of Naval Operations, the CNO has vested extensive authority in the Deputy Chiefs and Directors of Major Staff Offices in setting their own procedures in carrying out their "Sponsorship" functions.

On the face of it, it would seem that the final "Navy POM" might well be nothing more than a collection of "mini-POM's," each representing the parochial interests of its Resource Sponsor. Countervailing this possibility is the overlapping set of Assessment (and other) Sponsorship roles. The entire Navy process is based on the idea that the Navy's aggregated resources--dollars and manpower--should be viewed from a variety of dimensions. Each dimension--programmatic, budgetary appropriations, Resource Sponsorship, claimancy, or warfare/task area--can provide a useful perspective on the Navy's resource base. Taken together, the various ways of "slicing the Navy resource pie" help assure that the overall Navy resource array is balanced among the Navy's various missions and functional priorities.

This multiplicity of dimensional perspectives helps create a system of checks and balances. Such a system mitigates against undue parochialism on the part of any single element. Does it protect completely against a single entity dominating the decision process, so to speak?

The examination of POM-87 events in two Sponsor's organizations indicates that in the main the Navy system is effective in producing a proposed resource allocation that represents the collective interests of the Navy as a whole, rather than merely being the sum of its several parts. This is not to say that the system is "perfect." No system is so effective as to be immune from potential improvement! This is especially true given the continually changing political environment in which resource decisions are made in the Federal government.

In sum, this research has demonstrated that there is much more "right" about the Navy's POM development system than "wrong." The system exhibits some strong features, which allow it to function and produce.

Interviews with some of the top-level officials who participated in POM-87 development substantiate the widespread feeling that dynamism and flexibility are some of the best attributes of the Navy's POM process.<sup>1</sup>

This makes sense. The resource allocation decisions throughout the Federal government do not occur in an atmosphere of predictable, stable events. Decisions are made in an ever-changing environment, as a function of any number of factors, most of which are unquantifiable elements such as "political climate," "personality," and so forth. The effective system for dealing with such volatility would have to be flexible to succeed. Static, hidebound procedures would be both inappropriate and ultimately ineffective.

#### B. SPECIFIC PROBLEMS/AREAS FOR IMPROVEMENT

Despite its overall strength, the Navy POM development process has several areas that merit further attention and efforts to improve the system as it operated in the POM-87 cycle. The title to this subsection should not be misinterpreted; the system functioned in the POM-87 cycle despite the "flaws" and weaknesses discovered in the course of this research. There are, however, several areas in which the process could be improved.

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<sup>1</sup>Interviews with Rear Admiral J. L. Johnson (OP-90 during POM-87), Rear Admiral Neale Smith (OP-09RB), Captain C. Lautenbacher (OP-901), Captain Barry Bennett (OP-09R4), and Mr. Irving Blickstein (OP-90D).

The following sections of this chapter will deal with some of those identified problems (and potential problems).

1. The Failure by POM Participants to Understand the System in Macro

The high degree of complexity of the Navy resource decision-making system in macro makes it difficult for an individual to fully understand its workings or even its interwoven fabric of relationships among the major players. There is a prevailing tendency for the individual participants--particularly those at relatively lower levels in the organization--to see the overall system only in that small part that involves his or her area of responsibility. This narrowness of vision extends not only horizontally across the various Navy organizations, but across time, as well. Too many POM players fail to see the programming phase in its full context of the overall Planning, Programming, and Budgeting System within the Department of Defense--much less in the greater but even more significant context of Congressional budget deliberations and actions.

Decisions are often made, therefore, in what amounts to a time-phase vacuum. A decision made during formulation of POM-83 will be approved in the programming phase in calendar year 1981. However, that "approval" is internal to the Department of Defense; the "real" approval will not come until Congress completes action on the Fiscal Year 1983 budget. That final approval might not come until the fiscal year is well into execution. Meanwhile, POM decision-makers may well be proceeding with related decisions based on the POM-83 development cycle. Should any of those decisions be amended by higher authority, the implications for future POM cycles should be obvious. This is not always the case.

## 2. A Community of Resource Management Amateurs?

Part of the difficulty lies in the fact that two kinds of personnel work in Navy resource management: active-duty military and civilian employees of the Federal government. The former are bound by career considerations, which involve periodic transfer among jobs. Should an effective pattern of experience not be followed, the typical military member will feel the effects through a failure to be promoted. This has serious implications for Navy resource management, if indeed top decision-making positions are to be filled by military officers.

According to the current system, most of the Navy's truly powerful executive positions involving resource management are indeed reserved for military officers--and officers of the line, at that, rather than staff corps careerists who are inherently more narrowly specialized in their skills than the typical Unrestricted Line naval officer.

The DCNO and DMSO jobs on the staff of the Chief of Naval Operations are virtually all occupied by officers of the Unrestricted Line. Of equal--or possibly greater significance--is the fact that lower-ranked positions with considerable decision-making power are also filled by line officers in the mid- to senior grades (lieutenant commander through captain). It becomes thus important to ask, "How do these people receive the necessary training to carry out their resource management jobs?"

The answer is not entirely satisfactory. The career path for the successful (that is, promotable!) naval line officer emphasizes duty in his primary warfare speciality. "Shore tours" such as in OPNAV POM development organizations take secondary precedence. The officer typically receives his training in how to perform his assigned resource-management

responsibilities on the job. And, since his tour will expectedly be limited to two or three years, the opportunities for him to truly refine his skills in this area are somewhat limited.

The preceding chapters may not have conveyed the sense of rapidity with which annual POM development occurs. The cycle is typically occurring "on the run." The compressed schedules result in little slack time for participants; the emphasis is on meeting the several deadlines imposed throughout the programming period. As veterans of the system agree, "You spend the first year just trying to learn the jargon; by the second year, you're doing well if you can keep up with the pace of activity; by the third year, when you've had the chance to work with the system long enough to make some constructive suggestions as how to improve it, you're most likely on your way to your next duty station."

The implications for functional stability of the organization are only part of the issue. Equally important is the implication that many of the people in important decision-making managerial positions are essentially dilettantes.

This is certainly not intended as a commentary on the professionalism of the officers in these billets, but rather on the nature of the system itself. It's not merely a function of the Navy's policy for promoting its line officers. There is a near complete lack of formal training opportunities available to educate POM participants without taking them away from their jobs. Although several professional military schools offer courses in resource management, the bulk of these appear oriented to major weapons systems acquisition. [Ref. 17]. The Defense Resource Management Education Center in Monterey and the Air University at Maxwell Air

Force Base in Alabama offer several courses that would appear to deal with the more general area of PPBS. However, attendance at these courses requires investments in both time and travel funds that most officers cannot afford.

The gap is only slightly filled by a short (three half-days) course in PPBS offered by OP-90 every few months. At best, this provides a highly summarized overview of some of the most significant elements of each of the PPBS phases. It is too limited in scope to really explore any of the subjects it covers in any amount of detail. Consequently, the average naval officer reporting to a POM-development job in OPNAV will learn his new job partly from the information passed on to him by his predecessor and mostly just by doing it.

Although civilian employees are not as bound by the need to transfer among various jobs in order to attain promotions, the lack of available training opportunities is just as real for them as for the military officers. The civilians have the advantage of being able to stay longer in a particular job and thus (implicitly!) learn more about it and the overall context in which it operates. However, the tendency to view the world in very narrow terms (the "from my desk" orientation) seems just as prevalent for civilians as for the military officers.

### 3. The Navy's Two Resource Systems

Another area of concern deals with the fact that the Navy operates what is essentially a dual resource-management system. Resource Sponsors have the lead during the programming phase, with their decisions oriented along programmatic lines. However, what they decide will eventually (subject to approval by numerous layers of authority!) be actually executed

by the Navy's 26 "major claimants." Claimants view the resource world in terms of appropriations--and at a much lower level of detail than do Resource Sponsors in most cases.

It would seem imperative, then, for Resource Sponsors and claimants to maintain close and cooperative working relationships. This is not universally the case.

A basic issue of power is significant in this regard. During the programming phase, Resource Sponsors have the lead; claimants take the reins during budgeting. One implication of this power distinction is that the players should not participate in each other's activities. To be sure, there is validity to that thought; Resource Sponsors arguably do not have the expertise to craft detailed budget estimates, and claimants lack the subjectivity essential to policy-making. However, interpreting the separation of powers to mean that each participant should be completely isolated from the other's work can only produce decisions made in isolation of reality.

The role accorded claimants in the POM has shifted to a more active one in recent years. In the early 1980's, claimants had only the route of "Optional Claimant Input"<sup>2</sup> Resource Sponsors were not compelled to include claimants in any SPP development activities; some did, some did not. Consequently, many claimants were completely cut out of the process, with their only contact being the translation of the first year of the POM into an executable, properly priced budget. Many were never consulted during the

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<sup>2</sup>A less structured and less monitored predecessor to the POM-87  
Claimant Input via OP-90.

development of the program which that budget was to support.

Understandably, many claimants were dissatisfied.

The most senior claimants, the Fleet Commanders in Chief, have gained the most prominence in POM development. In POM-87, they were, if not active decision-makers, certainly active observers. Invited to many of the important PDRC and PRC sessions, Fleet CINC representatives had the opportunity to air their major concerns in person. While a claimant might not be sure whether or not his written request is given due consideration (or even read thoroughly), he can be more confident that his concerns are made known when he delivers them personally, in an open forum.

The rear admiral who served as OP-90 during the POM-87 end game saw the increased role of the Fleet CINC's as a major refinement of the process that year. However, he admitted that the 23 other, lesser ranked claimants did not enjoy the same advantages.<sup>3</sup>

This is not to say that those claimants are completely divorced from POM decisions. In some instances, the Claimant/Resource Sponsor link is both close and cooperative. At the other end of the scale, some such relationships appear almost adversarial.

The Navy POM development system does have a mechanism built in to ensure that claimants are given consideration. However, this mechanism--the "Claimant Input via OP-90"--has some important limitations. The fact that each claimant is limited to five "issues" (that is, resource adjustment requests) per Resource Sponsor makes it more difficult for the larger, more complicated claimancies to make all their possible problems known. By the

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<sup>3</sup>Rear Admiral J. L. Johnson, USN (currently Director of the Office of Program Appraisal); interview, May 1986.

same token, it puts the smaller, less broadly based claimancies at a comparative advantage.

The difference in orientation between Resource Sponsor and claimant is important in at least two respects: data base considerations and resource ownership.

The first appears, on the surface, to be almost strictly mechanical. After all, the purpose of any data base should be merely to document the human decisions that represent the real significance. In reality, however, the Navy's resource data bases almost seem to become the masters of the system instead of the servant tools they should be.

The explanation for this is rooted in the dual nature of the Navy's resource management system. The programming and budgeting phases operate along two separate chains of authority relationships--OP-90/Resource Sponsor for programming phase activities, and Navy Comptroller/Claimant for budgeting. Each chain maintains its own data base, oriented toward its own perspective: Program Element/Resource Sponsor for programming and Appropriation/Claimant for budgeting. It is often difficult to remember that both data bases should (must!) match the approved Five-Year Defense Plan resource arrays.

The fact that claimant lines of ownership do not correspond neatly with Resource Sponsor lines complicates the problem. It is not at all unusual during POM development to have claimants mistakenly forward their issues to the wrong Resource Sponsor. The problem appears to be more irritating for newly proposed programs rather than for additions/revisions to existing efforts. Resource Sponsors are understandably reluctant to commit their constrained resources to any but the most pressing

requirements; it is always tempting to claim that funding a particular effort is really "somebody else's responsibility!"

The occasional inconsistencies with which resources are assigned to Resource Sponsorships compound the problem for everyone--claimant, Resource Sponsor, and Assessment Sponsor.

#### 4. Lack of Standardized Analytical Methodologies and Criteria

The Navy is greatly proud of the fact that its POM is founded on extensive analysis. However, an examination of just one small portion of an annual POM's development revealed a tremendous variety among the various analytical methods employed. "Criteria" were established by the persons doing the "analysis," and thus became what their originators said they were.

Each Assessment Sponsor has the latitude to conduct his "analysis" according to whatever measure of effectiveness he deems appropriate. The authors of the warfare appraisals have the same flexibility. One may question the quality of the analyses emerging from this relatively unstructured system.

In the absence of any standardized methods and criteria for resource analysis, can the results be trusted?

As one veteran POM participant summarized the situation, it would probably serve no useful purpose to establish a standardized system. Based on the variety of topics being analyzed, it would be difficult if not impossible to find common criteria that would be universally meaningful.<sup>4</sup>

However, greater scrutiny of the analytical methods employed--especially in the Baseline Assessments and Baseline Area Appraisals--could

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<sup>4</sup>Captain C. Lautenbacher, OP-901; interviews in May 1986.

improve the validity and credibility of these documents. To many POM participants, they are currently viewed as "off the top of somebody's head" judgments and thus discountable.

##### 5. The Program Manager Concept in Resource Sponsorships

Two features discovered during the examination of POM-87 activities in the OP-01 and OP-09R offices have the potential for reducing the problems associated with the Claimant/Resource Sponsor relationship and the various implications thereof.

The introduction in 1984 of the "program manager" idea in the OP-01 Resource Sponsorship has the potential of resolving many of the foregoing difficulties.

An essential element of the concept was that all the Resource Sponsor's resources--fiscal and manpower--were to be categorized according to an output-oriented mission or function. An ancillary feature of the concept was that each "program" thus identified should have a designated manager, whose responsibilities would include tracking resource changes in all dimensions--including across time, claimant lines, and any other pertinent perspectives.

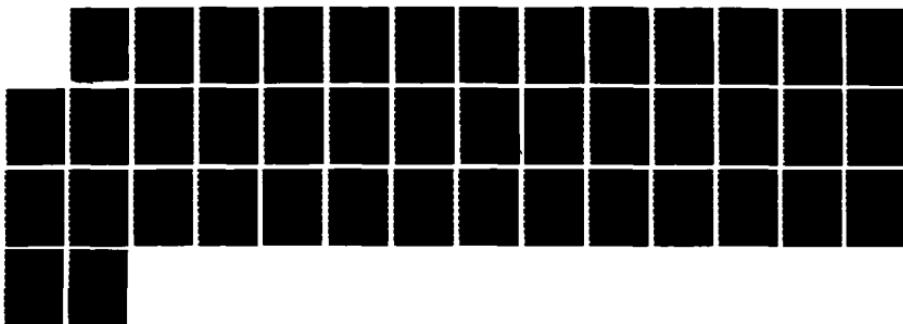
This view of the program itself as the governing entity has the potential for eliminating the "decisions in a vacuum" problems that were identified explicitly or implicitly in the investigation of POM activities. The Program Manager would be charged with complete responsibility for monitoring his program; an essential aspect would be tracing resource adjustments throughout their life cycle, from initial proposal during a POM cycle, through budget preparation adjustments during the budgeting phase of PPBS, through Congressional adjustments during deliberations on Capitol

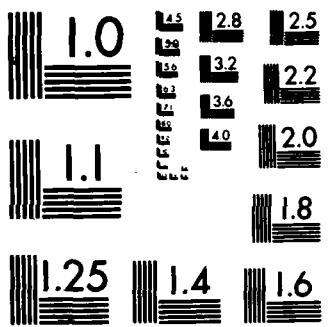
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HII, and--finally--through execution itself. This comprehensive overview would protect against decisions made in isolation.

An example will illustrate the point. Say that a particular proposal is approved during POM-83 development, with resources programmed for each of the five years in the POM period, Fiscal Years 1983 through 1984. Resources for the first year of the proposal--Fiscal Year 1983--pass successfully through the budget reviews in the Department of the Navy and Department of Defense. By that point, the individuals involved in POM development are well into the next cycle and in all probability continuing to program resources for the POM-83 initiative during the 5-year period beginning with Fiscal Year 1984 (and perhaps even adding to the amounts approved during the prior cycle). Meanwhile, Congress refuses to approve the full amounts in the Fiscal Year 1983 line. The Resource Sponsor staff as of the POM-87 cycle had no formal means of tracking such an adjustment; presumably, the Congressional action might not surface until the summer during which the first year of the POM-84 program is being scrutinized by the Comptroller of the Navy in his budget review. By that time, the matter is out of the Resource Sponsor's hands entirely! It's a budgetary decision at this juncture, and the resources will in all likelihood be cut during the Fiscal Year 1984 period (and subsequently from the follow-on years, as well).

The point is, the resources dedicated to that hypothetical program might have been preserved in the Resource Sponsor line had the Congressional action been detected prior to wrap-up of POM development. Every Resource Sponsor has alternative uses for every possible unit of available resources--dollars or manpower. The resources "cut" from one

program can always find an application in some equally valid program. Under the existing system, however, those resources are effectively lost to the Resource Sponsor, due to a comprehensive means of tracking adjustments across time.

The problem is occasionally similar in tracking from execution. A claimant works at a much greater level of detail than does a Resource Sponsor. What a Resource Sponsor envisioned three years prior to actual execution may or may not occur as programmed. The concepts originated in OPNAV during a POM cycle may or may not be viable in practice. Lacking an effective means to track actual performance leaves Resource Sponsors vulnerable to the proverbial "throwing good money after bad."

The Program Manager concept has a wealth of experience accrued in the acquisition community; the potential benefits in the relatively non-acquisition oriented Resource Sponsorship of OP-01 were only tapped at their most superficial during the POM-87 cycle. As the participants become more acquainted with the PPBS in macro, POM development and their own program jurisdictions in micro, their contributions will continue to increase. The most important attribute they bring is the perspective of each program in its entirety, not just as a marginal change to one phase of an overall resource decision-making scheme.

#### 6. Improving the Claimant/Resource Sponsor Bond

Another potential cure for the difficulties discussed thus far in this chapter is already in operation as part of OP-09R's execution of his Assessment Sponsor responsibilities: the "POMFEST" event hosted by OP-09R in his role as the major claimant, Commander of the Naval Reserve Forces. The face-to-face presentation of claimant proposals early in the

programming phase allows Resource Sponsor representatives numerous advantages. The claimant prospers, as well.

Some of the important intangible benefits of such confrontation are not perhaps quantifiable but certainly contribute to the success (or non-success) of a programming proposal.

One issue that often creates confusion and hard feelings is a potential dispute over Resource Sponsor responsibility for a particular item. OP-09R/COMNAVRESFOR experience with this has been perennial during recent POM cycles. The POMFEST offers an opportunity to surface such disputes early in the process. This is not to say that POMFEST will always solve such disputes; sometimes the controversy will not be resolvable by those involved, and the ultimate arbiter may turn out to be OP-90.<sup>5</sup> Nonetheless, bringing potential disputes into the open at the earlier point in POM development is to the advantage of all concerned.

An important theme of both the Program Manager and POMFEST concepts is the potential it holds for improving Resource Sponsor/claimant relationships. It should now go without saying that a close and cooperative relationship between the OPNAV policy makers and the field policy executers is simply in the best interest of everybody concerned--and certainly seems basic to optimizing the allocation of the Navy's constrained resources! The obvious conclusions emerging through the limited exercise of a postgraduate thesis are not always as evident in the real world of a multi-billion dollar resource management system. As of the POM-87 cycle, there remained certain friction between claimant and Resource Sponsor.

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<sup>5</sup>This happened during POM-87, regarding the issue of Reserve recruiting.

## 6. Friction: Plus or Minus Attribute?

The claimant/Resource Sponsor relationship is only one of several potentially volatile and adversarial linkages. The overlapping web of responsibilities complicates the situation throughout the Navy resource management system. Suffice it to say, every relationship has the potential for contention--Assessment Sponsor/Resource Sponsor, Appraisal Author/Resource Sponsor, etc.

It's a safe bet that any POM development cycle will feature various displays of tension--perhaps openly staged conflicts between and among the various major players. This is to be an expected by-product of the struggle to produce a final Navy POM that not only satisfies the desires of the various participants but constitutes a balanced and consolidated application of the Navy's programmed resources!

Is tension to be considered automatically an undesirable aspect of POM development? It is tempting to assume that a smoothly flowing, conflict-free system would be the most efficient. Would such a situation be the most effective means of making resource allocation decisions?

The situation was best summarized by one of the top-level officials interviewed in the course of researching this thesis. Serving as the primary action officer with responsibility for coordinating development of the Navy POM, the incumbent of the OP-901 billet during POM-87<sup>6</sup> describes the overall process by which "we employ tensions, debates, and arguments" as the best means of "getting issues into the sunlight," and thereby helping to protect against an important issue being lost in the shuffle.

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<sup>6</sup>Captain C. Lautenbacher, interviews in April and May 1986.

Another veteran participant<sup>7</sup> saw the various and overlapping relationships among major players as being a vital part of the checks and balances that characterize the process of Navy POM development. An important feature of the system, in this officer's viewpoint, was the inclusion of OP-90 as an "honest broker," to provide an implicitly objective source of arbitrating contention and resolving issues in the overall best interest of the Navy at large.

The most evident forums in which such tensions are surfaces are the Program Development Review Committee and Program Review Committee Meetings. On paper and in fact, these review groups constitute perhaps the most valid insurance that all pertinent issues will be surfaced during POM development and the best protection against resource decisions made strictly on single-viewpoint parochial bases. As was explained in Chapter 2, the PDRC and PRC groups include representation from every Resource and Assessment Sponsorship, and every warfare appraisal office. In short, the interests of every major POM development player are represented. Although the primary participants are among the Navy's highest ranked officers (2- and 3-starred admirals), the meetings are not confined to mere formality. Considerable candid expression (some observers might even characterize it as downright bickering) occurs during their sessions. The admirals do not hesitate to voice their concerns, even when those concerns may constitute direct disagreement with the proposals and positions of their colleagues in the same room.

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<sup>7</sup>Captain Barry Bennett (OP-09R4), the primary POM action officer in the office of the Director of Naval Reserve; interviews in May 1986.

## 7. Relative Importance of the Review Groups

The highest review group within the Navy POM process, the Department of the Navy Program Strategy Board, has assumed a greater and greater role in POM decision-making in recent years. Are they "as important" in shaping the final Navy POM as the PDRC and PRC?

The question is not valid. All the review groups have a hand in shaping the final POM product. The question might be better phrased in the more basic query of "Who makes the real resource decisions in the Navy POM?" Even then, the variety of decisions, coupled with the variety of circumstances in recent POM cycles, dictates that any answer could only be subjective. Every participant (and every observer) would be entitled to his or her own opinion as to the relative power of any particular group.

It is certainly true that the DPSB has the [next to] last word on POM development.<sup>8</sup> However, logic dictates that this body cannot explore in detail every adjustment to existing resource arrays that the typical POM will entail. They will limit their review, therefore, on the "most significant" issues.

Who determines what constitutes "significant" in this case? In the end game of POM-87, the Resource Sponsors were the basis of the final DPSB review sessions. Each Resource Sponsor was given a quota of 15 issues to present; the implication here is important: what the DPSB heard was what the Resource Sponsors told them. That is, it was in large part the

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<sup>8</sup>The Secretary of the Navy, whose signature appears on the formal submission of the Navy POM to the Office of the Secretary of Defense, reserves the ultimate responsibility to himself.

Resource Sponsors who effectively determined what was or was not important in POM-87.

It should not be forgotten, however, that many significant resource decisions are made by relatively junior officers (and civilian employees). The higher-ranked officials in the hierarchy vary as to their review policies, obviously. Some admirals may wish to scrutinize every change in detail; others may wish to see only those changes over a certain dollar threshold. Therefore, what a lieutenant commander can do unquestioned with resources in the OP-01 Resource line may be totally different from what he might do were he assigned to another Resource Sponsorship. That qualification notwithstanding, large amounts of money and manpower are adjusted on the judgment of lieutenant commanders, with little or no dispute from their seniors.<sup>9</sup>

#### 8. Conflicts of Interest?

One theme associated with the overlapping roles assigned to many major players in the POM process is the potential for losing objectivity in carrying out those various roles. The double assignment of a single individual as both a Resource and Assessment Sponsor potentially carries the threat that he will suborn his "best professional judgment" in one or the other roles if a conflict should arise. Say, for example, that OP-01 the Assessment Sponsor is forced to assess OP-01 the Resource Sponsor. Can he, in his former role, exert the necessary objectivity to perform an honest appraisal of deficiencies in the resource alignment he controls in the latter role?

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<sup>9</sup>The author's personal experience in this regard was born out by the agreement of the senior POM players she interviewed for this chapter.

The problem crops up in other relationships, as well. A unique case in point was the dual assignment of Assessment Sponsor and major claimant roles to the same individual (the Director of Naval Reserve/Commander of the Naval Reserve Forces).

The major players interviewed for this research did not feel that a conflict of interest would be a significant threat in practice. As one officer put it best: "These are 3-star admirals. They're big boys who can pigeonhole their interests, and they understand the sensitivity involved."<sup>10</sup>

One protection against the possibility of conflict of interest is the multi-layered review process for most of the major resource decisions during a POM cycle. The very act of presenting particular opinions in the PDRC and PRC sessions, in which representatives from every Assessment and Resource Sponsorship will be present, mitigates against successfully prosecuting one parochialized judgment at the expense of another.

However, the situation of claimant versus Resource Sponsor is not covered in the PDRC and PRC forums, simply because claimants are not represented in those bodies. How, then, does OP-09R maintain his credibility among his OPNAV peers, many of who might suspect him of voicing claimant concerns of executability rather than maintaining the broader OPNAV policy-making perspective.

The answer to that question would appear to vary according to the individual queried. The OP-09R offices who played the major roles in POM-87 are not overly concerned, however. In fact, they maintain that the

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<sup>10</sup>Captain C. Lautenbacher (OP-901); his job afforded him an excellent overview of the entire Navy POM, thereby giving him one of the most objective perspectives on the potential for conflict of interest.

claimant perspective that OP-09R brings to POM development is "mandatory to effective program development."<sup>11</sup>

The rear admiral from OP-09R<sup>12</sup> who represented the Reserve Assessment Sponsorship in the 2-starred PDRC sessions (and, often, in his boss' absence, in the 3-starred PRC meetings) was of similar mind. Emphasizing the fact that OP-09R and COMNAVRESFOR, while the same individual, were supported by two separate and distinct staffs, he felt that the claimant input was not only valid but essential in determining what needed to fulfill the requirements originating from program sponsors in OPNAV.

The key point in the foregoing thought is that the Assessment Sponsor does not originate requirements, but merely reacts to the requirements emerging from program sponsors. For example, in the case of the Assessment Sponsor for Reserve programs, a new requirement for Reservist manpower on board frigates would come from the surface warfare program sponsor, OP-03. OP-09R, as Assessment Sponsor, would analyze the requirement in terms of what resources would be necessary to fulfill the needs as enunciated by OP-03. Since COMNAVRESFOR is responsible for executing a large share of Reserve programs, his staff would be the logical source of information on what resources would be involved. Conflict of interest or merely thorough investigation?

The answer will probably always be a source of contention for many. Here again, however, the "decision-making in the sunshine" opportunities

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<sup>11</sup>Captain Barry Bennett (OP-09R4); interviews in May 1986.

<sup>12</sup>Rear Admiral Neale Smith (OP-09RB); interviews in May 1986.

availed by the several layers of review groups help protect against any truly blatant abuses.

### C. PRELIMINARY SUMMARY: "IS IT BROKEN?"

As was to be expected, the research into what the Navy POM process is supposed to be and what it actually was during a given cycle produced, among other things, evidence of some weak points in the existing system. These weaknesses involved both the system as prescribed on paper and as performed in practice.

The preceding section of this chapter dealt with but a few of the perceived shortcomings in both regards. It might be logical to proceed at this point to a section called "Conclusions and Recommendations," in which the author neatly lays out terse statements of identified problems and their proposed solutions.

Before falling comfortably into such a predictable furrow, the discussion will digress slightly at this point. The first milestone on the detour will be a very basic question concerning the overall process:

#### Does it work?

The answer, indisputably, is yes. None of the participants who contributed to the research for this thesis would completely overhaul the system--or even make major modifications to large portions thereof.

However, it is equally true that the system--despite its overall effectiveness--is amenable to marginal improvement. Some efforts in this regard are already underway. The reorganization of the OP-01 staff with major responsibility for POM development and the reorientation of the

overall methodology of POM preparation are excellent examples of such effort.

The POM-87 cycle marked the first year that these two innovations were implemented in concert. It would be unfair and invalid to assess their effectiveness based only on the limited experience of that single cycle. In concept, both ideas have tremendous potential for improving the process. Some obvious ingredients necessary to making that improvement come true will include educating the people involved in PPBS and in their roles therein. The establishment of a true "working relationship" between the Navy's policy makers in OPNAV and its policy executers in the field claimancies offers another deep well of potential improvement.

In that regard, the dual nature of the OP-09R and COMNAVRESFOR job can offer continued benefits for Navy resource decision-making. In fact, other claimancies and other Assessment Sponsorships might do well to learn from the OP-09R experience.

In sum, any of the areas discussed in Section B of this chapter merit further exploration, with an eye toward making improvements. Naturally, changes should be justified. But the overriding conclusion of this thesis would surely be that improvements are possible, and I have listed but a few of the areas in which a high potential appears clear.

## VI. CONCLUSIONS AND AREAS FOR FURTHER RESEARCH

### A. CONCLUDING COMMENTS

In the first chapter of this thesis, certain disclaimers were stated regarding what the project would not attempt to do. Some of those bear reiterating at this point.

It was promised that this work would not constitute "a comprehensive review of Navy POM procedures." Unquestionably, that has proven to be the case! The extent of research revealed, among other things, that the Navy POM emerges as the result of a very complicated process, highly diverse, characterized by a large variety of procedures. This thesis examined only a tiny portion of the overall scheme.

The limited scope of the research notwithstanding, certain themes exerted themselves in the course of preparing this project. As just one such example, the following observation is offered.

If there can be said to be a single most important characteristic to the process by which the Navy POM is crafted, that arguably would be the great latitude accorded to lower levels of management throughout the Navy structure. Centralized direction is present, to be sure, but it is more concerned with end product rather than process.

This is not to say that the Navy's lower level resource managers can frolic in an atmosphere of completely unchecked control over their programs. The multiple layers of review that have been built into the system protect against parochialism and promote an overall balance to the consolidated Navy POM.

The multiple dimensions of review--that is, the several perspectives from which Navy resource proposals are "analyzed" contribute to that objective, as well.

Certainly, the existing system "works." As one very basic type of evidence of its effectiveness, it does indeed produce an annual Program Objectives Memorandum, which is duly submitted to the Office of the Secretary of Defense.

A more valid measure of its effectiveness might deal with the quality of that final product. Obviously, any such judgment would most likely be subjective. One such example was cited by a major POM-87 player,<sup>1</sup> in describing the reaction of Deputy Secretary of Defense Taft: "He said the Navy POM was the tightest, best validated, and best balanced to come from any of the Services."

Another similarly valid measurement would be the degree of acceptance which the POM development process has among its practitioners. De facto, the process is successful. It is what, in the main, Navy resource managers want. If it weren't, they would have taken action to amend it. The fact that only marginal adjustments have been made to the process is one indication that it is "working."

One point that might be made here is that any "measure of effectiveness" is going to be subject to individual judgment. Different people see things from different perspectives, and what is important to one may have no relevance to someone else.

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<sup>1</sup>Rear Admiral J. L. Johnson (OP-90); interview in May 1986.

Subjectivity notwithstanding, the Navy POM development process could undoubtedly benefit from a comprehensive scrutiny, of the type begun in the this thesis.

One obvious conclusion of this project is that the system by which the Navy develops its annual Program Objectives Memorandum is extremely rich in detail and extremely varied. In fact, it's fair to assume that in the absence of tight central direction as to procedure, every Resource Sponsor follows unique procedures in constructing and defending his annual Sponsor Program Proposal. Similarly, every Assessment Sponsor displays unique characteristics in carrying out his assigned function, as does every Appropriation Sponsor.

Moreover, the lack of strict and detailed procedural guidance from a central source has resulted in a flexibility that allows (promotes!) changes in the process over time. Not only does one POM cycle differ markedly from its predecessors, the agenda as outlined at the beginning of a particular cycle will likely turn out far differently than predicted.

#### Stability or instability?

Quite obviously, there are some overriding strengths to the existing process that have permitted it to survive and to work, despite numerous external and internal pressures. The ability to accommodate such pressures without complete disruption may well be the greatest strength! That flexibility is undoubtedly the direct result of limiting the centralized procedural guidance.

On the face of it, looking only at the readily available documentation, the Navy system seems stable indeed (to wit: the last real revision to the Navy Programming Manual occurred a full seven years prior to this writing).

Further examination reveals that that document describes a situation that no longer exists. The flexibility of the current system is exemplified by its reliance not on infrequently published standing guidance but on up-to-the-minute memoranda, which can adjust the system in reaction to immediate events.

Nonetheless, the Navy system will always show room for improvement. The changing nature of the external environment in which Navy resource decisions must occur is only one reason. Another is the fact that any system is a function of (among other things) the personalities who operate it; different personal management styles and philosophies will produce different results. And who is to judge what constitutes the "best" system?

The answer to that would be, logically, "the people in charge at the time." Thus, the system should be able to accommodate changes made to adapt to personnel styles and priorities. The evidence from the POM-87 experience in OP-01 and OP-09R indicate that that is true. The experience of the Navy system in its entirety since the advent of the Reagan Administration add to the evidence.

#### B. APEAS FOR FURTHER STUDY

What remains to be done, then, in the way of examining and evaluating the process? Practically everything!

This study concentrated on a very limited area of a very complicated system. The Navy POM development process by itself constitutes a vastly complex system. Taken in the overall context of the Department of Defense resource decision-making arena or the even broader context including Congressional deliberations, the topic becomes exponentially complicated.

Does any single individual understand it in its totality? Probably not.<sup>2</sup> One reason for this is the fact that no comprehensive studies have explored the various subsystems, either within the Department of Defense or within the individual Military Departments/Defense Agencies.

Only a few studies have attempted to examine the DoD PPBS at all, and those have treated the subject in very broad terms.

Since 1981, three "studies" have been published that attempt to treat the PPBS in some broad context:

- A 1982 effort, headed by Dr. Bernard Rosker, under the sponsorship of Rear Admiral J. Metcalf (then incumbent OP-90), examined the on-going preparation of the Navy POM-84 submission. Dr. Rosker attended all PDRC sessions and monitored pertinent guidance and other activities. One valuable product of that study was the published proceedings of an all-Service conference, hosted by the Navy, in which attendees presented their own Service's methodologies for POM development. [Ref. 16: in full]
- A 1983 effort conducted jointly by representatives of the Department of Defense and the Government Accounting Office. The purpose of the "Joint DOD/GAO Working Group on PPBS" was to "develop descriptions of PPBS and its phases and to identify potential improvements." [Ref. 33: p. 1] The DOD/GAO study was restricted to a very broad view of PPBS, however, and did not explore individual Military Departments or Defense Agencies in any detail.
- A 1985 effort by the staff of the Senate Armed Forces Committee. Like the Joint DoD/GAO effort, the SASC study was confined to a DoD-wide perspective. [Ref. 34: in full]

Each of the three studies is of value to the student of PPBS. Each offers useful insights on the process in macro and surfaces valid criticisms of the system. However, the scope is so broad as to be inapplicable to solving

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<sup>2</sup>Although the author has met a few individuals who would qualify as candidates, based on their extensive experience plus individual traits. Many of those have been cited as references throughout this narrative.

problems at a lower level.<sup>3</sup> To put it another way, should the Navy wish to undertake substantive revisions to improve the workings of its own POM development system, the three studies just cited would be useful primarily as background material.

No truly detailed study has been published<sup>4</sup> that examines the system in detail below the level of the individual Military Department.

Such a study in the Navy would, for example, explore the various techniques and procedures followed by each of the 13 Resource Sponsors. It might continue to look at the various methods used by the Assessment Sponsors. The relationships between and among major players almost certainly vary on a case-by-case basis; a detailed investigation of these could produce some valuable lessons that might help all concerned better perform their separate roles. At the very least, it might help them understand the process a little better.

Just a few of the additional areas demanding further exploration include:

- The preparation and eventual effect of the warfare appraisals and CNO Program Analysis Memoranda;

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<sup>3</sup>The exception would be the proceedings of the Navy-sponsored conference, which treats each Service's system in greater detail. Of particular interest are the transcriptions of the "question and answer" sessions, in which PPBS practitioners from the various Military Departments were able to exchange candid remarks that, four years later, offer valuable insights into how PPBS operates in reality.

<sup>4</sup>It is entirely possible that such an effort has been undertaken in a "private domain" environment, such as graduate school or privately endowed institution. However, the documented findings of such studies were not discovered in the course of research for this thesis.

- The relative significance of the Appropriation Sponsors during POM development;
- The different relationships among claimants and Resource Sponsors;
- The different methods employed in acquisition-oriented programs.

There are dozens if not hundreds more potentially fertile topics!

At the outset of research for this thesis, it was feared that participants would be unwilling to be completely candid in discussing problem areas, that they might feel defensive about admitting that "their" performance was anything less than perfect. That did not prove to be the case. The individuals interviewed in the course of research represented the military spectrum from lieutenant to vice admiral (and the civilian from GS-7 to SES-4). A pleasant surprise was the prevailing candor from virtually all those interviewed; they were more than willing to talk about the less than optimum aspects of the system, as they saw it. Predictably, parochial considerations occasionally colored an individual's perception. In the main, however, the POM participants were open in expressing their concerns. They were interestingly in accord as to the relative strong and weak points of the system (its flexibility was the most cited strength; the lack of individual knowledge of the system the most often mentioned weakness).

The foregoing observations would appear to bode well for future researchers. If their experience is even remotely as successful as this author enjoyed, they will find a spirit of candor and honest desire to improve the status quo through exploration of "lessons learned" from prior experience.

### C. A FEW FINAL NOTES . . .

The most important contribution envisioned for this thesis prior to its actual creation was that it might increase the understanding of the process by which the Navy develops its Program Objectives Memorandum. To the extent that the author's own understanding was indeed expanded, that goal was achieved. It is her hope that the readers of this work will fare similarly.<sup>5</sup>

It is also hoped that this work is merely one among a great many in the same area. The overall POM process in the Navy is so rich and varied, concerning so many different programs and areas of interest, as to provide opportunities for unlimited research.

Academic institutions such as the Naval Postgraduate School are only one arena in which such research might be conducted. The "real" Navy could and should take a greater interest in analyzing its procedures, with a continual eye toward improvement. One such effort was at one time instilled in the annual process; sometime after submission of the annual POM to OSD and prior to the onset on the next cycle, major POM participants gathered for a "lessons-learned" conference--two to three days during which problems of the most recent cycle were explored and alternative

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<sup>5</sup>It is appropriate at this point to note that the "References" cited in throughout the text do not constitute the total research base from which this narrative was drawn. The format requirements governing this particular document dictate a strict division between references actually cited and those not. The serious researcher is urged to refer to the accompanying Bibliography as well as the List of References; together, these listings represent the true research basis for this paper--and, I hope, a useful jumping-off point for further research.

improvements were presented. The practice seems to have died out, possibly due to the press of other activities.

Organizations such as the Center for Naval Analyses could provide useful services to future Navy resource management by continuing the efforts begun during the POM-84 cycle (see Reference 16 for some of the results of this project).

Another area with rich promise for future research would be a comparison of the various methods by which the individual Military Departments and Defense Agencies construct their POM's. Only the most rudimentary efforts have been published in this regard; they typically limit themselves isolated descriptions of how each component carries out the process, stopping short of any detailed comparison of methods or results. We could well have any number of lessons to learn from one another!

The point to be made is that "improvement" should not wait until dictated by a crisis; it can be as useful--or even more so!--when instituted to further enhance an already successful system than when relegated to correcting serious problems.

APPENDIX A  
ACRONYMS AND SPECIAL TERMS

ASN	Assistant Secretary of the Navy
BAA	Baseline Area Appraisal; a more comprehensive analysis of a broad task/warfare area, prepared during the early stages of the programming phase
BAM	Baseline Assessment Memorandum; a selected analysis of support areas, prepared during the early stages of the programming phase
CEB	CNO Executive Board; the CNO's board of directors for general purposes
CINC	Commander in Chief; a Navy Fleet CINC (e.g., Pacific or Atlantic) is also assigned responsibility as a major claimant for budgetary functions
CNET	Chief of Naval Education and Training; a major claimant
CNMPC	Commander of the Naval Military Personnel Command; a major claimant
CNO	The Chief of Naval Operations; the senior military officer in the U.S. Navy
CNRC	Commander, Naval Recruiting Command; a subclaimant within the CNMPC major claimancy
COMNAVRESFOR	Commander of the Naval Reserve Forces; a major claimant
CPAM	CNO Programming Analysis Memorandum; a document prepared during the early stages of the programming phase
CPFG	CNO's Program and Fiscal Guidance (in some POM-87 documents, referred to as Consolidated Programming and Fiscal Guidance)
DCNO	Deputy Chief of Naval Operations; three-star vice-admiral billets
DEPSECDEF	The Deputy Secretary of Defense

DG	Defense Guidance; policy guidance issued annually by the Office of the Secretary of Defense for preparation of Military Department/Defense Agency POM's
DMSO	Director of a Major Staff Office within the Office of the Chief of Naval Operations; typically three-star vice-admiral billets
DNCPPG	Department of the Navy Consolidated Planning and Programming Guidance; policy guidance issued to the Navy and Marine Corps for preparation of Service POM's
DoD	The Department of Defense
DODI	DoD Instruction; a standing directive
DON	The Department of the Navy
DPSB	The Department of the Navy Program Strategy Board
DRB	Defense Resources Board; the corporate board of directors within the Office of the Secretary of Defense, composed of the senior civilian executives in DoD and the Military Departments, plus military Service chiefs
End-game	The period following submission of individual SPP's to OP-90, during which they are reviewed and consolidated into the final Navy POM
FHN	Family Housing, Navy; a budget appropriation
FY	Fiscal Year
FYDP	The Five-Year Defense Program; the documented version of the approved resource array, updated three times each year to reflect decisions made in the course of PPBS phases
GAO	Government Accounting Office
JCS	The Joint Chiefs of Staff
MILCON	Military Construction, Navy; a budget appropriation
MILCON, R	Military Construction, Navy Reserve; a budget appropriation
MPN	Military Personnel, Navy; a budget appropriation
MPT	Manpower, Personnel, and Training

NMPC	Naval Military Personnel Command
O&MN	Operations and Maintenance, Navy; a budget appropriation
O&MNR	Operations & Maintenance, Navy Reserve; a budget appropriation
OMB	Office of Management and Budget, within the Executive Office of the President; the central budget coordination office for the Executive Branch
OP-01	Deputy Chief of Naval Operations for Manpower, Personnel, and Training (OP-01); doubly assigned as the Chief of Naval Personnel
OP-01B	Assistant Deputy Chief of Naval Operations for Manpower, Personnel, and Training
OP-01R	Special Assistant for Naval Reserve Matters, within the Office of the Deputy Chief of Naval Operations for Manpower, Personnel, and Training (OP-01)
OP-02	Deputy Chief of Naval Operations for Submarine Warfare; also a Resource Sponsor (Platform)
OP-03	Deputy Chief of Naval Operations for Surface Warfare; also a Resource Sponsor (Platform)
OP-05	Deputy Chief of Naval Operations for Air Warfare; also a Resource Sponsor (Platform)
OP-090	Director of the Navy Program Planning Office
OP-09R	Director of Naval Reserve in the Office of the Chief of Naval Operations; doubly assigned as Commander, Naval Reserve Forces
OP-11	Director of the Total Force Training and Education Division, within the Office of the Deputy Chief of Naval Operations for Manpower, Personnel, and Training (OP-01)
OP-12	Director of the Total Force Programming and Manpower Division, within the Office of the Deputy Chief of Naval Operations for Manpower, Personnel, and Training (OP-01)
OP-120	Head of the Program Development and Coordination Branch, within the Office of the Director of the Total Force Programming Division (OP-12)

OP-13	Director of the Military Personnel Policy Division, within the Office of the Deputy Chief of Naval Operations for Manpower, Personnel, and Training (OP-01)
OP-14	Director of the Civilian Personnel Policy Division, within the Office of the Deputy Chief of Naval Operations for Manpower, Personnel, and Training (OP-01)
OP-15	Director of the Human Resource Management Division, within the Office of the Deputy Chief of Naval Operations for Manpower, Personnel, and Training (OP-01)
OP-16	Director of the Total Force Information Systems Management Division, within the Office of the Deputy Chief of Naval Operations for Manpower, Personnel, and Training (OP-01)
OP-90	Director of the General Planning and Programming Division, within the Office of the Director of the Navy Program Planning Office (OP-090)
OP-91	Director of the Program Resource Appraisal Division, within the Office of the Director of the Navy Program Planning Office (OP-090)
OP-92	Director of the Fiscal Management Division, within the Office of the Director of the Navy Program Planning Office (OP-090)
OPA	Office of Program Appraisal; the analytical arm within the Office of the Secretary of Defense
OPN	Other Procurement, Navy; a budget appropriation
OPNAV	Office of the Chief of Naval Operations
OPNAVINST	Chief of Naval Operations Instruction; a standing directive
PASS	Personnel Administration and Support System; a program owned by the OP-01 Resource Sponsorship
PDM	Program Decision Memorandum; the final document of the programming phase in the DoD Planning, Programming, and Budgeting System, the PDM documents adjustments to POM's.
PDRC	Program Development Review Committee; the two-star review board within the Office of the Chief of Naval Operations

PE	Program Element Code; the most basic element of the "Ten Major Defense Programs" categorization
POM	Program Objectives Memorandum; the major product of the programming phase in the DoD Planning, Programming, and Budgeting System
POM Serials	An annual series of guidance documents issued from the OP-090 staff to control activities during the programming phase of PPBS
POMGRAM's	An annual series of guidance documents issued within the OP-01 organization during the programming phase of PPBS
PPBS	Planning, Programming, and Budgeting System; the DoD resource management system for formulating the defense portion of the annual President's Budget submission to the Congress
PPI	POM Preparation Instructions; the style guide issued annually by the Office of the Secretary of Defense for preparation of the written documentation of Military Department/Defense Agency POM's
PRC	Program Review Committee; the three-star review board within the Office of the Chief of Naval Operations
RDT&E	Research, Development, Test and Evaluation; a budget appropriation
RPN	Reserve Personnel, Navy; a budget appropriation
SECDEF	The Secretary of Defense
SECNAV	The Secretary of the Navy
SECNAVINST	Secretary of the Navy Instruction; a standing directive
SPP	[Resource] Sponsor Program Proposal; submitted annually to OP-90
TAR	Training and Administration of Reserves, designates a career Reservist on full-time active duty
VCNO	The Vice Chief of Naval Operations; second in seniority to the Chief of Naval Operations
VOTECH	Vocational-technical education

ZOW

Not an acronym, but simply a title for a memorandum issued during the end-game, directing specific changes to a Resource Sponsor's Program Proposal

APPENDIX B  
THE TEN MAJOR DEFENSE PROGRAMS

The Five-Year Defense Program is based on the following categorization according to program:

- Program 0 ..... Support of Other Nations
- Program 1 ..... Strategic Forces
- Program 2 ..... General Purpose Forces
- Program 3 ..... Intelligence and Communications
- Program 4 ..... Airlift and Sealift Forces
- Program 5 ..... Guard and Reserve Forces
- Program 6 ..... Research and Development
- Program 7 ..... Central Supply and Maintenance
- Program 8 ..... Training, Medical, and Other General Personnel Activities
- Program 9 ..... Administration and Associated Activities

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